

Belgians

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NATO Candidates Hail U.S. Vote for Expansion

'Thank You, America!' After Senate Approves Polish, Czech and Hungarian Membership

By Jane Perlez
New York Times Service

WARSAW — Poland's leaders and citizens greeted the U.S. Senate's approval of their NATO membership with relief and delight Friday, praising the vote as the beginning of a promising new era that would overcome a century of dark history.

"Thank you, America!" Prime Minister Jerzy Buzek said on Polish television Friday, breaking into his rarely used English.

In the Czech Republic and Hungary, where public support for NATO membership has been more muted than in Poland, the reaction to the vote in favor of the countries' entry was also enthusiastic.

The Czech president, Vaclav Havel, who is recuperating from an operation, said in a statement that the vote would help build the "foundations of stability in the entire Euro-Atlantic area."

In Hungary, Prime Minister Gyula Horn, a former Communist, said his country should interpret the favorable vote as a sign that Hungary met "international requirements of freedom, democracy and a market economy."

The governments of the three Central European nations that were given approval in the Senate on Thursday night to join NATO have been working over the last four years toward the vote. They regarded the Senate as the final hurdle, and in order to get its approval the three countries have been trying to reform their militaries and meet standards of democracy and free enterprise required by the alliance.

In Poland, the largest and strategically most important of the three countries, the government watched the maneuvering in the Senate very closely, and by this week politicians and the media were following the debate in minute detail. There was wide coverage of proposed amendments and apprehension that the vote, delayed earlier this month, might be delayed again.

In a statement issued soon after the vote, Mr. Buzek expressed the historical importance for Poland.

"The decision of the United States Senate is the final obliteration of Yalta by the only remaining superpower," he said, referring to the 1945 agreement that placed Eastern and Central Europe under Soviet influence. "The United States has included us in the elite team of NATO allies."

The size of the vote — 80 to 19 — was noted by some with considerable pride. "Eighty votes in favor is a lot — I believe it's more votes than Germany got in 1954," said the Czech ambassador to the United States, Alexander Vondra. "It's a communication of trust and confidence, and it is for the first time in the modern history that the Senate of the most powerful country in the world would dedicate its time to such a trifling thing as the Czechs are."

Then, Mr. Vondra added in a stern tone: "People at home should realize what it means."

The Czechs have been the most equivocal of the voters in the three countries, with only 50 percent saying in an opinion poll conducted by the Public Opinion Research Institute this month that they favored membership.

In Poland, where there is an instinctive fear of Russia and where the military is the most esteemed national institution, opinion surveys have showed more

Suharto Puts Lid on Reform Of Politics for 5 More Years

By Cindy Shiner
Washington Post Service

MEDAN, Indonesia — President Suharto on Friday ruled out any chance of political reform before his term ends in five years.

He spoke as students pressed demands for change in clashes with security forces here and in other cities across the country.

"If there is any intention for political reform, it should be prepared for the year 2003, after the present government finishes its term," Home Affairs Minister Radan Hartono quoted Mr. Suharto as saying.

Mr. Suharto, at 76 the longest-serving leader in Asia, met with political leaders and government ministers Friday before a meeting Monday of the International Monetary Fund, at which officials are to decide whether to release the latest tranche of a \$43 billion economic bailout for Indonesia.

The March payment was suspended over Jakarta's noncompliance with reform measures. The economic crisis has aggravated political tension in Indonesia, and rocketing prices have encouraged students seeking wide-sweeping change, including Mr. Suharto's ouster.

In Medan, on the island of Sumatra, students hurled gasoline bombs and rocks at hundreds of riot police who had sealed off two campuses. The security forces, armed with truncheons and shields, fired volleys of tear gas.

Students at Mommensen University, near the center of town, drenched tissues and scarves with water to protect their faces from the stinging gas. One student beat out a rhythm on a tin drum while several young men hurled stones at the police over the campus gate.

"It looks like the military isn't here to protect citizens anymore but is going against them," said a student leader, who gave his name only as Harris.

Security forces have largely held back from charging the students so far, but there are growing fears of a crackdown in the absence of any sustainable dialogue with the military or concessions by the government or the students.

Mr. Suharto is facing the country's worst economic and political crisis since he took office 32 years ago during a period of unrest. Anti-Communist student demonstrations then helped carry him to power.

At that time, the students had the sup-

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A Top Hutu Pleads Guilty To Genocide

By Stephen Buckley
Washington Post Service

ARUSHA, Tanzania — A former top official of the interim government in Rwanda that directed the slaughter in 1994 of hundreds of thousands of ethnic Tutsi pleaded guilty to genocide Friday and agreed to testify against others accused of planning the massacres.

Before a jammed gallery at the United Nations Criminal Tribunal for Rwanda, Jean Kambanda, prime minister of Rwanda during the 100 days that majority Hutu sought to exterminate the Tutsi, said he was guilty of committing a crime against humanity and of five other genocide-related charges.

Mr. Kambanda, 43, is the highest former government official being held by the tribunal, which has captured 25 suspects accused of playing major roles in connection with massacres that killed at least 500,000 Tutsi and their sympathizers. He is scheduled to be sentenced Aug. 31.

Prosecutors and human-rights activists hailed his guilty plea as a breakthrough for the tribunal, which has been bedeviled by accusations of inefficiency and mismanagement, and said they hoped other suspects would follow his example.

Aside from providing key evidence in future trials, Mr. Kambanda may also supply crucial details of the planning of the genocide and related events, such as the mysterious downing of President Juvenal Habyarimana's plane on April 6, 1994. His death prompted the eruption of ethnic bloodletting.

Virtually all of the suspects at the tribunal, and many of the 130,000 awaiting trial by the Rwandan government, were expected to use denials that a genocide even occurred as a pillar of their defense.

Mr. Kambanda's plea is most likely "to create panic among the suspects

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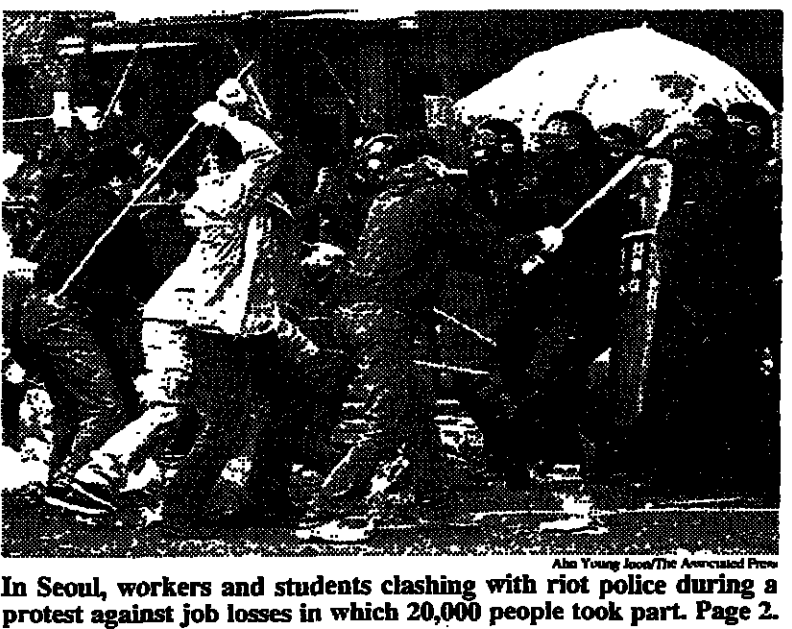
Melees on May Day



Leftist demonstrators in Leipzig being drenched by water cannons in an effort by the police to keep them away from a neo-Nazi rally.



Riot police chasing leftist protesters who had been throwing stones at a rally in Istanbul. Dozens of militants were reported injured.



In Seoul, workers and students clashing with riot police during a protest against job losses in which 20,000 people took part. Page 2.

Europe Bank Duel Goes Down to Wire

But Both France and Germany Voice Optimism on Settlement

By Barry James
International Herald Tribune

BRUSSELS — Just hours before they were to meet and anoint the countries that will introduce Europe's historic Economic and Monetary Union, European leaders remained deeply divided Friday over who would lead the Continent's future central bank.

But there were flickering signals of a breakthrough in the dispute that has divided France and Germany since late last year over one of the most powerful posts on the Continent — similar to that of the chairman of the U.S. Federal Reserve Board — when the single currency comes into being Jan. 1.

"I think that by tomorrow evening, we will have found a solution, a positive and credible solution," said Finance Minister Theo Waigel of Germany.

Dominique Strauss-Kahn, the French finance minister, said the same thing.

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while insisting that France was still pushing its candidate for the central bank position.

The president of the European Commission, Jacques Santer, meanwhile, said there would be no compromise in which the central bank governorship would be divided into two four-year terms. "We have to stick to the provisions of the treaty, and the treaty says the first mandate will be an eight-year mandate," he said.

Chancellor Helmut Kohl of Germany telephoned several other European Union leaders in an effort to break the impasse as European Commission officials warned that failure to agree on a bank chief during their talks Saturday would jeopardize the financial market's confidence in the future currency.

There was little sign, however, that President Jacques Chirac was backing down from his insistence that France's

central bank governor, Jean-Claude Trichet, be named to the post. Some French officials privately suggested that Finland's central bank governor, Sirkka Hamalainen, could be a compromise candidate. But Mr. Chirac denied that Paris would propose Mr. Hamalainen as a candidate.

Mr. Santer said he did not expect any new candidate to emerge.

One proposal making the rounds in recent weeks was to divide the eight-year central bank job into two halves, giving the first four years to Wim Duisenberg, the former Dutch central banker and

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U.S. Growth Surges

The American economy grew at a surprisingly strong pace this winter and inflation remained unexpectedly subdued.

Instead of slowing down as the Asian recession hit American manufacturers, the economy picked up speed, growing at a 4.2 percent annual rate in the first quarter, compared with a 3.7 percent rate in the previous quarter. At the same time, the broadest measure of inflation dipped below 1 percent to its lowest rate since 1964. Page 9.

The Dollar			
New York	Friday @ 4 P.M.	previous close	
DM	1.7833	1.7958	
DM	1.666	1.6719	
Yen	133.45	132.875	
FF	5.977	6.023	

The Dow			
	Friday close	previous close	
+83.7	9147.07	9063.37	

S&P 500			
change	Friday @ 4 P.M.	previous close	
+8.27	1121.02	1111.75	

Germans Ponder Violence

Upsurge in Extremist Attacks After Lull Touches Off a Scramble to Find Causes

By John Schmid
International Herald Tribune

MAGDEBURG, Germany — At 7:25 P.M. on a recent Tuesday night, two young toughs broke into a Palestinian's apartment in a public housing project on the fringe of this city.

Without provocation, according to the police, they beat the man as he tried to flee, lacerating his face and feet, and set his bed on fire. The victim was hospitalized.

The March 31 incident, the police in Magdeburg say, typifies a renewed increase in violent attacks by extreme rightists against foreigners and minorities across Eastern Germany that erupted last year.

Ranging from street-corner intimidation to baseball-bat beatings and arson, the new surge in such violence follows a four-year lull. The police concede that xenophobic violence is on the rise after they had managed to repress the initial post-unification outbreak of

skinhead terror, a phenomenon that peaked with a series of fatal firebombings in 1992.

The frequency of racist attacks has taken even the experts by surprise. On Wednesday, Bonn's Interior Ministry is expected to announce that "acts of violence motivated by racist extremism" registered an increase of around 27 percent in 1997 from 1996, predominantly in Eastern Germany, according to a federal investigative source.

The disclosure, expected in the ministry's annual report to the Federal Office for the Protection of the Constitution, outstrips all other preliminary estimates. As recently as March, the constitutional watchdog agency itself issued a preliminary figure on extremist brutality showing an increase of about 10 percent over the previous year, which itself was the first rise since 1992.

Victims of the attacks are overwhelmingly foreigners — Turks, Africans and Asians — but also include the handicapped, homosexuals and leftists.

Sociologists, who attribute the attacks to unemployment and disillusionment with unification, said the same discontents fueled the unexpectedly strong gains last weekend for a shadowy far-right party in a state election. Shocking the nation with 12.9 percent of the vote in Saxony-Anhalt, the German People's Union entered the statehouse with the widest margins of any far-right party in any postwar German election.

Given the frequency of the attacks, Peter Loesch, professor of political science at the University of Goettingen, said, "I am amazed that almost everyone was taken by surprise. The rising number of racist extremist attacks was an indication of discontent."

Peter Frisch, president of the Cologne-based constitutional watchdog agency, which monitors extremist groups, said in April that the frequency of violence in the East was three times the rate of the West. Eastern Germany, with only 17 percent of the nation's population, accounted for 45 percent of the attacks, Mr. Frisch said.

Xenophobic doctrines have taken root as unemployment in the East has risen and perspectives for the future dwindled, said Wolfgang Heidelberg, president in Magdeburg of the state Office for the Protection of the Constitution.

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Testy Clinton Scorns Starr and Inquiry

By John M. Broder
New York Times Service

WASHINGTON — In his first full-scale news conference this year, President Bill Clinton dripped contempt for Kenneth Starr, the independent counsel's inquiry could persist "forever — 10, 20, 30, 40 or 50 years," and consume limitless public funds.

The president refused once more to

AGENDA

Eldridge Cleaver, Ex-Black Panther, Dies

POMONA, California (AP) — Eldridge Cleaver, 62, the fiery Black Panther leader whose book "Soul On Ice," written in prison, became one of the seminal works of the Black Power movement, died on Friday at Pomona Valley Hospital Medical Center.

The cause of death was not given, at the request of his family. Mr. Cleaver was one of the original Black Panthers. More recently, he joined the Republican Party.

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Gabon.....	1.100 CFA Spain.....225 Ptas
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Ivory Coast.....	1.250 CFA U.A.E.....10.00 Dh
Jordan.....	1.250 JD U.A.E.....10.00 Dh
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AT&T

Rallies Turn Violent In Seoul and Istanbul

Workers Worldwide Gather for May Day

SEUL — Millions of workers across economically ailing Asia and around the world rallied Friday to mark May Day, from rightists in Europe to prostitutes in India.

In Seoul, riot police fired tear gas to disperse 20,000 people protesting job losses.

"No to layoffs!" South Korean workers chanted amid the haze of tear gas that filled a central section of the capital.

The workers and student supporters dispersed but quickly regrouped, hurling rocks and garbage at the police.

The district reverberated with exploding tear gas, the workers' slogans and labor songs blaring from loudspeakers.

About a dozen police and protesters were injured; one student was rushed to a hospital with blood covering his face.

The clash was the first violent protest since President Kim Dae Jung took office in February.

Mr. Kim is the first opposition leader to rise to power in South Korea, one of many East Asian nations struggling with an economic and currency crisis that set in last year.

May Day injuries also were reported in Istanbul after hundreds of leftist demonstrators attacked the police with stones and clubs.

The police responded with water cannons and truncheons, injuring 42 pro-

testers, the Anatolian News Agency said. Twenty-eight police officers were injured, the agency reported.

Communists and trade unionists held separate, modest rallies in Moscow, where May Day once brought vast crowds of government-deployed workers into the streets.

But in Ukraine, Communists encouraged by recent electoral gains rallied in Kiev chanting, "Long live Soviet power and socialism!"

Rallies elsewhere marking May Day, the international labor day, ran the gamut of worker complaints:

• A rally by prostitutes in Calcutta who want their profession legalized in India.

• More than 2 million people in Japan taking part in 1,000 or so rallies, some carrying banners with slogans such as "Stop Murderously Long Working Hours."

• A vigil in Taiwan in favor of aboriginal tribes who believe they are losing jobs to foreign workers.

• A rally by more than 1,000 people in Malaysia, demanding more protection against feared layoffs.

• A small demonstration supporting thousands of striking dock workers in Australia. The workers ended up disowning the rally, saying the five protesters should not have illegally entered a dock area.



ON GUARD — A Canadian soldier with the NATO-led peacekeeping force in Bosnia keeping watch Friday in the town of Drvar as a delegation of Western peace mediators arrived to hold talks with Bosnian Croat authorities over the return of refugee Serbs.

BRIEFLY

Call for Compromise In Danish Strike

COPENHAGEN — The top labor leader in Denmark told a May Day rally of 100,000 people that unions must compromise in the five-day nationwide general strike.

Hans Jensen, who heads the Federation of Trade Unions, said strikers could not expect to succeed in their demand for a sixth week of paid vacation.

It was the first indication of a softening by labor in the strike that has idled more than 550,000 workers, and its significance was underscored by Mr. Jensen making it on the day when workers traditionally gather to proclaim their strength and determination.

The strike has been mostly an annoyance to Danes in its first days, but was clearly becoming more than that on Friday. Officials of the public transit system in Odense, the country's third-largest city, said they would halt bus service after Saturday because fuel was running out.

Ecologists in Spain Demand Cleanup

AZNALCOLLAR, Spain — Environmentalists demanded greater efforts on Friday to haul away tons of toxic mud left from a waste spill in southern Spain, fearing delays would worsen the dam-

age from the ecological disaster. Experts said the longer the poisoned sludge remained piled up along the riverbanks leading downstream from a ruptured mine reservoir, the heavier the toll would be on fish, birds and other wildlife.

Hundreds of volunteers in protective masks have already cleared away 6,500 kilograms (14,000 pounds) of dead fish — mostly carp — and hundreds of poisoned bird's eggs from contaminated waters near Doñana National Park, Europe's biggest nature reserve, government officials said. (Reuters)

Swiss Jews Assail Calls for Boycott

ZURICH — Swiss Jewish leaders criticized boycott threats Friday against Switzerland and efforts in the United States to persuade Swiss banks to pay a huge global settlement of claims from Holocaust victims.

The Swiss Federation of Jewish Communities urged the Swiss government not to join talks on such a settlement that started last Monday between Swiss banks, the World Jewish Congress and lawyers for Jewish Holocaust survivors suing the banks in U.S. court.

The federation said a global settlement, in which the banks would pay a lump sum to settle all Holocaust-related claims, would distract from a sweeping process that has started in Switzerland of coming to terms with its past as a neutral country in World War II. (Reuters)

TRAVEL UPDATE

U.S. Toughens Mexico Travel Alert

MEXICO CITY — The State Department has toughened its advice for Americans traveling to Mexico, responding to a surge in violent crimes against tourists here and mounting complaints from Americans that the government had not adequately warned them about the dangers.

A revised Consular Information Sheet issued Thursday says for the first time that the crime rate in Mexico City "has reached critical levels" and warns of a "marked increase in the level of the violence of the crimes committed, including what appears to be a significant incidence of sexual assaults."

"In several cases," it adds, "tourists report that uniformed police are the crime perpetrators, stopping vehicles and seeking money or assaulting and robbing tourists walking late at night."

The State Department does not recommend that Americans refrain from traveling to Mexico but counsels them to "use caution" in practically every part of the country. (NYT)

United Airlines and Delta Air Lines have agreed to an alliance that would control more than one out of every three seats on U.S. airlines. The deal would link the two airlines' route systems, tie together their frequent flyer programs, allow qualifying passengers access to each other's airport club rooms and permit selling seats on each other's planes. (AP)

Security was tightened along Japanese "bullet train" lines Friday after saboteurs removed bolts from one stretch of track. The police said stations across the country had received letters warning of further sabotage during the peak holiday period known as Golden Week that begins next week. (Reuters)

Northwest Airlines and KLM Airlines will ban smoking on all flights worldwide as of Aug. 1. The alliance partners allow smoking now only on their transcontinental flights to (Reuters)

Air New Zealand has added a seventh weekly flight from Auckland to Los Angeles and London. It will offer a ninth Auckland flight to Los Angeles on Sundays from Dec. 6 to next March 29. (Bloomberg)

Philippine Airlines has cut its Tuesday flight to Frankfurt, reducing service from Manila to six times a week, "to ensure the flag carrier's continued operation amid the currency crisis." (AFP)

Parking will be free Sunday at the Roissy-Charles de Gaulle Airport north of Paris if a strike planned by parking lot attendants is not canceled. (AFP)

U.S. Pushes EU to Offer Hand to Turks

By Stephen Kinzer
New York Times Service

ISTANBUL — Senior American diplomats are engaged in an intense effort to persuade the European Union to adopt a more conciliatory policy toward Turkey, diplomats involved in the effort say.

The diplomats said Secretary of State Madeleine Albright had made a series of telephone calls to her European counterparts in recent days, urging them to soften their attitude toward Turkey. Among those whom she has called are Foreign Minister Hubert Vedrine of France, Foreign Minister Klaus Kinkel of Germany and Foreign Secretary Robin Cook of Britain.

The effort is growing as the U.S. mediator, Richard Holbrooke, arrived Friday in Cyprus for a new round of talks with Greek and Turkish Cypriot leaders. His visit to the island four weeks ago ended without visible progress, in part because Turkish Cypriots and their patrons in Ankara were angry at the way the European Union was treating Turkey's application for membership.

"We are here at the request of the leaders of Cyprus," Reuters quoted Mr. Holbrooke as saying on arrival. "We came back as we were requested to and in that context we want to move forward."

[Mr. Holbrooke is due to have four days of separate meetings with the Cypriot president, Glavkos Klerides, and the Turkish Cypriot leader, Rauf Denktaş. [Mr. Holbrooke said he was "not necessarily" aiming at calling a meeting of the two leaders at present. "I am not going to propose anything," he said. "I am going to see what the two sides want and if there are things they agree on or they are close to agreement and a little better communication will help, we will work in that direction."]

Mrs. Albright reportedly made some progress in her calls, but also found that fierce anti-Turkish sentiment in Greece and the national election campaign in Germany were major obstacles to changing the EU position on Turkey.

Greece is Turkey's main rival in Europe, and Chancellor Helmut Kohl of Germany is fighting for re-election. He does not want to be seen as supporting steps that could bring more Turkish immigrants to Germany, which has the world's largest Turkish immigrant community.

"This Turkey question is probably the most serious disagreement we have with Germany," said a State Department official who has worked closely with German leaders.

At a meeting in December in Luxembourg, leaders of European Union

countries decided to proceed quickly with talks aimed at admitting six additional countries and to place five others on a waiting list. The 12th applicant, Turkey, was effectively rejected.

That set off a storm of protest in Turkey, highlighted by emotional denunciations of Europe and suggestions that Turkey should look for friends elsewhere.

Turkish leaders took retaliatory measures, including asking their Turkish Cypriot clients to stiffen their negotiating stance in long-stalled talks with Greek Cypriots. Mr. Holbrooke said after his latest visit to Cyprus that Turkish Cypriots were refusing to consider serious compromises as long as Europe treated Turkey in a manner that they considered unfair.

Chechens Seize Yeltsin Envoy

Washington Post Service

MOSCOW — President Boris Yeltsin's personal envoy in the separatist republic of Chechnya was seized by armed fighters Friday, apparently the latest victim in a spree of kidnappings in which at least 65 people are being held.

Since the war between Russia and Chechnya ended in August 1996, dozens of foreigners and Chechens disappeared or have been seized by gunmen inside Chechnya and along its borders, followed by demands for ransom. By one estimate, more than \$20 million has been paid in ransom for the release of hostages.

The payments have apparently

whetted the appetite of young, rebellious and often desperate fighters, who carry out the abductions in defiance of efforts by the Chechen president, Aslan Maskhadov, to crack down on the kidnappings.

The seizure Friday came as Mr. Yeltsin's envoy, Valentin Vlasov, was traveling along the road between Grozny, the Chechen capital, and Nazran, in the internal Russian republic of Ingushetia. Five armed fighters reportedly took away Mr. Vlasov and his vehicle.

Ivan Rybkin, who negotiated peace terms with Chechnya previously, flew to Grozny to seek Mr. Vlasov's release, the Interfax news agency reported.

WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.

Europe	High	Low	High	Low
Algeria	20/28	12/20	20/28	12/20
Andorra	18/24	10/16	18/24	10/16
Antarctica	23/27	18/22	23/27	18/22
Austria	17/23	10/16	17/23	10/16
Belarus	18/24	10/16	18/24	10/16
Belgium	17/23	10/16	17/23	10/16
Bulgaria	18/24	10/16	18/24	10/16
Croatia	18/24	10/16	18/24	10/16
Czech Rep.	17/23	10/16	17/23	10/16
Denmark	17/23	10/16	17/23	10/16
Egypt	20/28	12/20	20/28	12/20
Finland	17/23	10/16	17/23	10/16
France	17/23	10/16	17/23	10/16
Germany	17/23	10/16	17/23	10/16
Greece	18/24	10/16	18/24	10/16
Hungary	17/23	10/16	17/23	10/16
Iceland	17/23	10/16	17/23	10/16
India	20/28	12/20	20/28	12/20
Indonesia	20/28	12/20	20/28	12/20
Iran	20/28	12/20	20/28	12/20
Israel	20/28	12/20	20/28	12/20
Italy	17/23	10/16	17/23	10/16
Japan	20/28	12/20	20/28	12/20
Korea	20/28	12/20	20/28	12/20
Latvia	17/23	10/16	17/23	10/16
Lithuania	17/23	10/16	17/23	10/16
Malaysia	20/28	12/20	20/28	12/20
Maldives	20/28	12/20	20/28	12/20
Mexico	20/28	12/20	20/28	12/20
Moldova	17/23	10/16	17/23	10/16
Morocco	20/28	12/20	20/28	12/20
Netherlands	17/23	10/16	17/23	10/16
Norway	17/23	10/16	17/23	10/16
Poland	17/23	10/16	17/23	10/16
Portugal	17/23	10/16	17/23	10/16
Romania	17/23	10/16	17/23	10/16
Russia	17/23	10/16	17/23	10/16
Saudi Arabia	20/28	12/20	20/28	12/20
Slovakia	17/23	10/16	17/23	10/16
Slovenia	17/23	10/16	17/23	10/16
Spain	17/23	10/16	17/23	10/16
Sweden	17/23	10/16	17/23	10/16
Switzerland	17/23	10/16	17/23	10/16
Taiwan	20/28	12/20	20/28	12/20
Tanzania	20/28	12/20	20/28	12/20
Togo	20/28	12/20	20/28	12/20
Turkey	18/24	10/16	18/24	10/16
Ukraine	17/23	10/16	17/23	10/16
United Kingdom	17/23	10/16	17/23	10/16
USA	20/28	12/20	20/28	12/20
Vietnam	20/28	12/20	20/28	12/20
Yemen	20/28	12/20	20/28	12/20

Legend: sunny, partly cloudy, cloudy, showers, thunderstorms, rain, snow, ice, hail, fog, wind, etc.

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RELIGIOUS SERVICES

AMSTERDAM

CROSSROADS INTERNATIONAL CHURCH Interdenominational & Evangelical Sunday Service 10:00 a.m. & 11:30 a.m. Kids Welcome. De Custerstraat 3, Amsterdam Info. 020-641 8812 or 020-6451 653.

FRANCE/TOULOUSE

HOPE INTERNATIONAL CHURCH (Evangelical), 4, bd de Pabre, Colomier. Sunday Service 6:30 p.m. Tel: 05 62 74 11 55.

FRANCE/RIVIERA/COTE D'AZUR

NICE: Holy Trinity (Anglican), 11 rue Bule. Sun. 11:00. VENICE: St. Hugh's, 22, av. Resistance, 9 a.m. Tel. 33 04 93 87 19 83.

FRANKFURT

English Speaking International Catholic Parish, St. Leonhard, Alte Mainzer Gasse 8, 60311 Frankfurt. Germany. Tel/Fax: 069-2853717. Mass scheduled: Sunday 5 p.m., Sunday: 10 a.m. Confessions: 12 hours before Mass.

PARIS and SUBURBS

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WIESBAD

Clinton Visit to Start at Tiananmen

Decision Indicates Administration Wish for Closer Ties to China

By Barton Gellman
Washington Post Service

BEIJING — Aides to President Bill Clinton have disclosed that he has agreed to stage his official arrival ceremony in June at Tiananmen Square, where China crushed a student-led democracy movement in 1989.

At the same time, in a letter delivered to the leadership in Beijing, the president called for a new momentum in the Chinese-American partnership.

Televised images of the bloodshed around the square, in which security forces killed at least several hundred unarmed demonstrators with rifle fire and by running them down with tanks, plunged U.S.-China relations into crisis and prompted Congress to pass a sheaf of new economic sanctions.

But Tiananmen is also China's preeminent public space, a political emblem of Communist revolution abutting the ancient palaces of the Forbidden City.

Mr. Clinton's consent to pay respects at the site — officials said China had insisted on this point because all heads of state are received there — is the most graphic symbol to date of his decision to halt confrontation on human rights to advance strategic and economic interests in the Pacific Rim's rising power.

The disclosure of the planned Tiananmen event came as Secretary of State Madeleine Albright signaled that the summit meeting might provide the occasion for scaling back the Tiananmen-era sanctions.

"I know that you've long been concerned about U.S. sanctions laws that impede your ability to do business in China," she told members of the American Chamber of Commerce in a breakfast speech Thursday. Mrs. Albright apparently was alluding to the ban on funding from the Overseas Private Investment Corp. and the Trade and Development Agency for business deals in China.

"We understand your concerns," she said. "As you know, there have been some waivers such as for satellites and nuclear cooperation in the past, and we will consider future waivers in the context of progress on China's part."

Asked at a news conference whether she thought China was "moving beyond the Tiananmen era," she replied: "I really do think so. They are looking forward. This is what I've found so interesting, in terms of approaching the tasks that they have ahead of them, and in terms of integrating themselves into the region, the international community, and generally being very forward."

China's government maintains a hard line on Tiananmen. A Foreign Ministry

spokesman, Tang Guoqiang, said Thursday that the "political turbulence" at the square "seriously disrupted social order" and that "the Chinese government had to adopt necessary measures to resolve it resolutely."

"Had we not done so," he added, China "could not have made the kind of contribution to world peace and development it has made today."

Mr. Clinton's letter to President Jiang Zemin, hand-delivered by Mrs. Albright to the Zhongnanhai leadership compound, "emphasized that the president is looking forward to his visit, looking forward to building on the momentum" of Mr. Jiang's October visit to the United States, said the State Department spokesman, James Rubin.

"I want to see new steps in developing not only government-to-government, but people-to-people relations," Mr. Clinton wrote, according to a brief excerpt made available to reporters. "We should strengthen cooperation in areas such as science and technology, health, education and contacts between our young people."

Mr. Rubin said Mr. Clinton also highlighted "specific areas of concern," including human rights, Chinese weapons exports and the trade barriers that prevent U.S. agreement for China to join the rule-setting World Trade Organization.



NEXT WE VOTE — The Paraguayan opposition alliance nominee for president, Domingo Laino, closing his campaign, flanked by his running mate, Carlos Filizzola, and wife, Rafaela. President Juan Carlos Wasmosy has said balloting will take place May 10 despite the barring of the governing Colorado Party's candidate.

POLITICAL NOTES

Rogue IRS Agent Tied to Frame-Up

WASHINGTON — A rogue Internal Revenue Service agent tried to frame the former Senate majority leader, Howard Baker Jr., on money-laundering and bribery charges in a bizarre attempt by the agent to advance his career, current and former IRS agents have told the Senate Finance Committee.

The witnesses, describing the agency as riven by fear, favoritism and foul-ups, asserted that senior managers in Tennessee had covered up for the agent when the attempt on Mr. Baker, a Republican of Tennessee, was uncovered by his supervisor and two other agency workers.

Senior officials instead placed the complainants under investigation, driving one out of the Tennessee office and two out of the agency.

The phony charges were made in 1989, after Mr. Baker had left the Senate and completed a stint as President Ronald Reagan's chief of staff. The agent, meanwhile, kept his job despite other complaints of drunkenness and sexual harassment — losing it after an arrest on suspicion of cocaine possession several years later.

Other witnesses asserted that IRS supervisors often conceded multimillion-dollar tax cases to wealthy corporations and individuals, sometimes in hope of currying favor and perhaps obtaining a job. Major cases were also closed, witnesses said, in order for managers to improve their rankings on internal agency statistical measures.

The commissioner of the tax agency, Charles Rossotti, called the testimony on the bogus case against Mr. Baker "deeply disturbing."

Mr. Rossotti said he had asked the

inspector general of the Treasury Department to investigate. He promised to take appropriate disciplinary action. (WP)

Clinton Backs Down Over Funds for IMF

WASHINGTON — Congressional Republicans have stared down the Clinton administration, passing a \$6 billion emergency spending bill and winning the president's signature of the measure, although it failed to provide funds he sought to replenish the International Monetary Fund.

President Bill Clinton signed Friday, after sending word to Congress on Thursday that he would not veto the bill, as he had threatened. Republicans removed most of the extraneous items to which the administration had objected, including provisions on student loans, food stamps, crop insurance and assault weapons.

The House approved the bill Thursday night, 242 to 163. Senate passage, on a 88-to-11 vote, came later in the evening. The bill provides \$2.6 billion for relief from natural disasters, including ice storms in the Northeast and tornadoes in the Southwest. It also provides \$2.86 billion for military measures, including peacekeeping in Bosnia-Herzegovina and the Gulf, and ballistic missile programs. (NYT)

Quote/Unquote

President Clinton, reacting to near-daily criticism from the House speaker, Newt Gingrich, Republican of Georgia: "Nothing he says about me personally — nothing — will keep me from working with him and with other Republicans in the Congress to do everything I possibly can on every issue before us." (NYT)

Argentina Seizes Ustashe Captain

The Associated Press

BUENOS AIRES — Distancing itself from its reputation as a haven for Nazi war criminals, Argentina has arrested a former Croatian Army captain who presided over the largest — and deadliest — concentration camp in Croatia.

Neighbors booed and whistled as the police led away Dinko Sakic, a month after he went public about his Ustashe past in a television interview.

Mr. Sakic, 76, put up no resistance as he was taken from his home Thursday in the Atlantic resort of Santa Teresita, 320 kilometers (200 miles) southeast of Buenos Aires.

Interior Minister Carlos Corach said that Croatia was seeking Mr. Sakic's extradition for trial in the wartime killings of tens of thousands of people. Extradition could be granted in a short time if Mr. Sakic consents, he said.

Mr. Sakic, who came to Argentina in 1947, acknowledged in the April 6 interview that he was the senior commander of the Jasenovac concentration camp. But he denied any wrongdoing.

"There was a typhus epidemic, but no cremation ovens," he said.

Away From Politics

• The Federal Aviation Administration has proposed a record \$2.25 million fine against a maintenance contractor, SabreTech, for shipping hazardous materials aboard the ValuJet DC-9 that crashed in the Florida Everglades two years ago, killing 110 people. (WP)

• Since the ban on smoking in California bars went into effect, customers are drinking less and fighting more. (WP)

• The percentage of U.S. teenage girls having babies has declined for the sixth successive year. (WP)

Dalai Lama Tempers His Tone on China

Tibetan Leader Approves of Washington's Muting of Criticism of Beijing

By Barbara Crossette
New York Times Service

NEW YORK — Tibet's spiritual leader, the Dalai Lama, has distanced himself from militant Tibetans and some international human-rights organizations by saying that the Clinton administration was on the right track in muting public criticism of China.

In an interview Thursday on the first day of a two-week visit to the United States, the Dalai Lama, an internationally recognized Buddhist leader as well as the Tibetans' spiritual and political head, also said he believed that "China is in the process of changing, changing for the better." He held out hope that quiet diplomacy could lead to talks about the status of Tibet.

The remarks by the Dalai Lama, who spoke in English, were made against a background of increasing pressure on him from Tibetan exiles who are demanding a more active resistance to the Chinese, and the Chinese government, which has stepped up attacks on him "on a scale not seen since the Cultural Revolution," an American human-rights leader said Thursday.

In Beijing on Thursday, the Chinese government responded with an abrupt

brush-off to a plea from Secretary of State Madeleine Albright for a dialogue with the Dalai Lama.

The Foreign Ministry spokesman, Tang Guoqiang, characterized the Dalai Lama's promise that all he wants is some autonomy as a ruse "to fool international opinion." Independence is still his aim, the Chinese officials said.

But the Dalai Lama said in the interview here Thursday that he needs an alternative to violence to offer Tibetans who have become frustrated and "emotional." China's army occupied Tibet in the 1950s, forcing the Dalai Lama into exile in 1959.

In New Delhi this week, a Tibetan exile died from self-immolation to protest conditions in Tibet. A hunger strike has been spreading in India among Tibetans, a number of whom say they have waited long enough for action.

"This year I think there were nine cases of bomb explosions in Tibet," the Dalai Lama said. "Although they used the explosives on buildings, not human beings, there is a danger, a shift." He has long said that a campaign of violence in Tibet was both contrary to his beliefs and foolhardy in the face of Chinese military power.

"The Chinese government, their top

priority is stability and unity," he said. "In order to achieve that, the best thing is dialogue. Superficial stability and unity under the gun is not genuine." He reiterated his call for enough autonomy to protect Tibetan Buddhism and culture in its homeland.

The Dalai Lama said that he had noticed movement in China despite the shriller public condemnations of him.

"Even compared to one year ago," he said, "it is now more open to expression. Recently I noticed some articles and also books regarding the Tibetan issue by some Chinese. Although they are limited publications, I think this is a very, very encouraging sign."

Although the Dalai Lama's own government-in-exile, based in India, pressed the United States to introduce a resolution condemning China at the United Nations Human Rights Commission in Geneva in April, the Dalai Lama was not critical of the U.S. decision not to do so.

"To engage the Chinese leaders directly, without public condemnation," he said, "there is a possibility to achieve a better effect. Once you state a critical view publicly, then the Chinese government side would find it more difficult. And of course China, a big nation, should not be isolated."

THE USUAL SUSPECTS By Brendan Emmett

ACROSS

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10 "Just Another Girl on the..." (1993 drama)

11 Cause for pause

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13 Stadium cheer

14 — Pease cheese

15 Fred Mertz, notably

16 Exiter's exclamation

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Name: Gao Ya, China
Crime: Being a journalist
Sentence: 6 years




Name: Doan Viet Hoat, Vietnam
Crime: Being a journalist
Sentence: 25 years



Name: Christine Anyanwu, Nigeria
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Clinton 'Encouraged' by Iraqi Actions

By Philip Shenon
New York Times Service

WASHINGTON — President Bill Clinton says he is encouraged by Iraqi cooperation with United Nations weapons inspectors and that he expects to reduce the number of U.S. troops who are deployed in the Gulf region to keep watch on Iraq.

The president's remarks about Iraq were more conciliatory than those heard from other U.S. officials in recent weeks, although Mr. Clinton appeared again to rule out an early end to the international sanctions that were imposed on Iraq after it invaded Kuwait in 1990.

"We are encouraged by the level of compliance so far with the UN inspections and by the evidence that has been adduced on the nuclear side that more progress has been made," Mr. Clinton said at a news conference Thursday at the White House.

Under threat of an American-led mil-

itary attack early this year, the government of President Saddam Hussein allowed greater access to UN arms inspectors seeking evidence that Iraq has stockpiled chemical, biological or nuclear weapons.

On Monday, the UN Security Council decided to extend sanctions against Iraq after inspectors reported that it was still far from providing full disclosure on the issue of chemical and biological arms.

Still, Mr. Clinton said there was good news on Baghdad's cooperation with inspectors from the International Atomic Energy Agency, an arm of the United Nations that polices nations for evidence that they are developing nuclear weapons.

The agency is close to declaring Iraq free of nuclear arms, an action that could allow Baghdad to avoid intrusive inspections of its nuclear programs in the future. In a report last month, the agency said its inspections had found no evidence of prohibited equipment or materials.

Mr. Clinton said that "if Baghdad will continue to work with us," the UN could move by October to reduce the severity of the nuclear monitoring. "This is just the nuclear piece, but I am encouraged by that," he said.

The president's remarks are expected to raise concern among arms-control specialists, many of whom have accused the Atomic Energy Agency of complacency and said that Iraq's record of deception and its wealth of talented scientists suggest that it could quickly re-create an atomic program once rigorous inspections ended.

Mr. Clinton said he would wait for a Pentagon recommendation before removing any of the American military force that is now patrolling the Gulf region. The force includes two aircraft carriers, and more than 300 warplanes.

"Inevitably, unless we believe there is some reason for it to be there, at some point in the future I would anticipate some reallocation of our resources," he added.



The crippled leader of the Palestinian group Hamas, Sheikh Ahmed Yassin, at prayers Friday in Tehran.

Tehran Objects to U.S. Charge of Terrorism

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TEHRAN — Iran rejected a U.S. report calling it the world's leading state sponsor of terrorism, describing the document Friday as "another brick in the wall of mistrust" between the two countries.

"Itself a major victim of terrorism, Iran is fully aware of the dangers of this phenomenon and has worked with other countries at international bodies to rid the world of this threat," state-run Tehran radio said.

threat," state-run Tehran radio said.

The State Department said Thursday that Iran remained "the most active state sponsor of terrorism" despite the election last year of a more moderate president. Its annual report on international terrorism said that President Mohammed Khatami and his deputies had publicly condemned some forms of terrorism but that their words had yet to be matched with deeds.

(Reuters, NYT)

Netanyahu, With Gore, Hints at Compromise

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JERUSALEM — Prime Minister Benjamin Netanyahu suggested after a meeting Friday with Vice President Al Gore that he would meet the Palestinians halfway in the dispute over an Israeli troop pullback in the West Bank.

But he also noted that a "considerable" gap remained between Israeli and Palestinian positions before a key push in London next week to revive the deadlocked peace talks.

Mr. Netanyahu said at a news conference with Mr. Gore that he hoped an agreement could be found when he and the Palestinian president, Yasser Arafat, met Secretary of State Madeleine Albright separately in the British capital on Monday.

But he said that "if the Palestinians come in with a fixed position and say we will not budge, only Israel should budge, and that budging on our side compromises our security, I would say that's not a recipe for success."

Nevertheless, Mr. Netanyahu sounded a positive note about the possibility of a breakthrough. "My optimism tells me that I hope we will have an agreement in London," he said.

Israel's best offer until now has been a pullback from 9 percent of the land, while the Palestinians have accepted a U.S. proposal for a withdrawal from 13 percent as the absolute minimum.

Mr. Netanyahu said that if Israel was to budge, he expected an "equal effort"

from the Palestinians, suggesting he might settle for the halfway mark of 11 percent. Israeli officials have said in the past that Mr. Netanyahu was considering an 11 percent withdrawal.

U.S. officials have said they expect both sides to make difficult decisions in London. But Mr. Netanyahu seemed ready to face down the Clinton administration, saying Friday that Israel's friendship with the United States would not stand or fall over the London meeting.

Mr. Gore, who was in Israel to join celebrations of the Jewish state's 50th anniversary, met Mr. Netanyahu for almost three hours. He said their discussions, which extended for part of the time to include key Israeli ministers and the U.S. special envoy Dennis Ross, had covered the U.S.-Israeli relationship. "I have not seen it as part of my role here to negotiate," he said.

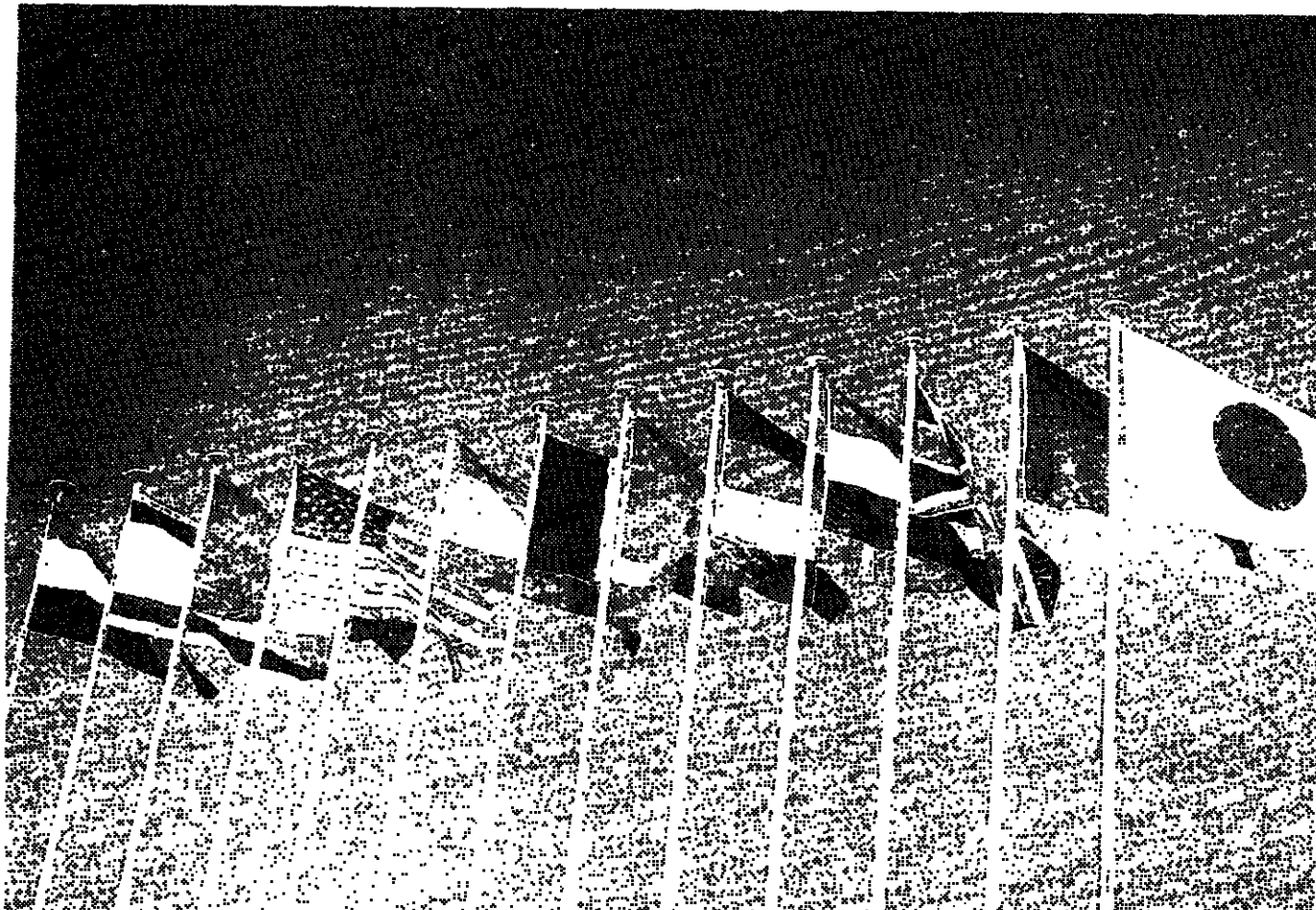
Mr. Gore left for Saudi Arabia on Friday but was due to return on Saturday for talks with Mr. Arafat in Ramallah, in Palestinian-controlled West Bank.

Speaking in Ramallah, Mr. Arafat said Friday that the peace process was "passing through great difficulties as a result of Netanyahu's actions, which are against peace." At a news conference with Foreign Minister Jawad Anani of Jordan in Ramallah, he said, "The London talks will be decisive and will have important results for peace in the Middle East." Mr. Arafat

said he had accepted the U.S. peace initiative, under which Israel would pull back from 13 percent of the West Bank in return for firmer Palestinian action against militants.

Palestine Liberation Orga-

nization officials said Mr. Arafat wants the U.S. administration to put public pressure on Israel to accept the initiative. Mr. Arafat said he would not make further compromises. (AP, Reuters)



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BOOKS

THRONES, DOMINIONS

By Dorothy Sayers and Jill Paton Walsh. 312 pages. \$23.95. St. Martin's.

Reviewed by Sarah Booth Conroy

ISHOULD scrub floors very badly, and I write detective stories rather well. I don't see why proper feeling should prevent me from doing my job." So says Harriet Vane, Dorothy Leigh Sayers's character in "Gaudy Night," defending her decision not to be a homemaker.

This defense of women's right to write echoes down through the years. Women of my generation and inclination welcomed Sayers's strong challenge to traditions holding that the sexes were separate and not equal, that mystery writers were not novelists and that romance and repartee have no place in detective tales. Yet Sayers left devotees yearning to know if the five-novel courtship of Vane by Lord Peter Wimsey actually endured as a marriage of equals after their disastrous "Busman's Honeymoon."

Since Sayers's death in 1957, rumors whispered of the existence of "Thrones, Dominions" (the title comes from Milton), an unfinished, unpublished manuscript. According to Alzina Stone Dale, editor of "Dorothy L. Sayers: The Centenary Celebration," Sayers left 170 pages of the text and additional notes.

At last, brave Jill Paton Walsh, the British author of children's books and two mystery novels (one a Booker Prize finalist), has completed the manuscript. Which means that 75 years after the publication of "Whose Body," the first Wimsey novel, we finally get the answer to the question of how these most famous lovers in the classic period of English detective novels balanced the scales of their lives — along with the solutions to two murders.

"Thrones, Dominions" contrasts two newlywed couples — a theatrical backer and his trophy wife, chosen for her sensuality rather than her sense, and the Wimsseys, whose passions are for each other's erudition as well as for

each other. The beauty is, of course, murdered.

Sayers's Wimsey novels and her learned dissertations on mystery stories (none better) inspired not only Walsh (who went to Oxford after reading "Gaudy Night," which was based on Sayers's own college days and alumnae reunion) but many another successful author in her writing of crime novels. Walsh pays proper regard to Sayers' notes and much-cherished, unforgettable characters: Bunter, Wimsey's invaluable valet, photographer and detective colleague; Wimsey's mother and Harriet's fervent supporter, the magnificent Dowager Duchess of Denver; and his scandalous Uncle Paul Delagardie. The Wimsey wit and the woes of the 1930s get their dues.

In "Strong Poison," Wimsey began his courtship of Vane as he tried to save her from the gallows. She turned Wimsey down, though admitting, "If anybody ever marries you, it will be for the pleasure of hearing you talk piffle." A good and sensible reason.

After "Busman's Honeymoon," Sayers wrote two Wimsey short stories but put "Thrones, Dominions" away in a box and began writing religious plays and essays, children's books and scholarly works. Yet, she admitted, the Wimsseys still piffled in her mind — and they did in the minds of other readers. Thanks to Jill Paton Walsh, piffle is once again heard in the land.

Sarah Booth Conroy, who is finishing her second novel, "The Loves of Martha and George Washington," wrote this for The Washington Post.

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EDITORIALS/OPINION

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Clinton Shrugs

In his first solo news conference since December, President Bill Clinton gave his usual fluid performance Thursday, but it was obvious that he has paid a high price for his silence on the allegations about the former White House intern Monica Lewinsky.

Most of President Clinton's feelings came across through innuendo and body language. His repeated ducking of questions seemed defensive, argumentative and yet uncharacteristically passive.

Asked whether his behavior should even matter to Americans, the president all but shrugged and said he was "in some ways the last person who needs to be having a national conversation about this."

For a man addicted to conversation, it was a revealing answer.

The president's lawyers have no doubt advised him to maintain his silence, just as lawyers might do for any target of a criminal investigation. But a narrow legal strategy will not help Mr. Clinton restore Americans' faith in his character, even if they approve of the way he has handled the economy.

As we have said repeatedly, he needs to find some way to reassure Americans troubled by the nature of his relationship to the young White House intern and by the lengths that so many of his aides went to in order to find her a job. Instead of taking that route, Mr. Clinton made clear that the

Russian Arms Sales

No longer sustained by captive markets and client states, Russian arms designers and manufacturers are selling their wares to anyone willing to pay. Recent days have brought word that Russian enterprises are helping Iran, India and the Greek Cypriot government develop or buy new missiles. In each case, the missiles could alter the balance of military power in a highly volatile region where armed conflict between neighbors has occurred in the past and could again.

The Russian government, while assuring Washington of its concern, has not done enough to curb these deals. Customs agents in Azerbaijan recently intercepted a shipment of Russian stainless steel to Iran that could be used to make missiles.

Moscow's assistance to India to develop a sea-launched missile has gone on for at least three years. American intelligence agencies say, despite Russian denials, The Russian role may violate the Missile Technology Control Regime, an accord limiting the spread of missiles.

Russian officials openly acknowledge the planned sale of sophisticated anti-aircraft missiles to Greek Cypriots.

The motive for these transactions is primarily financial. The Russian arms industry, long supported by lavish state subsidies and sales to Soviet-bloc nations, has foundered since the Soviet Union collapsed.

Weapons designers and builders

Abortion Politics

Congress and President Bill Clinton seem about to do something reckless. This is the evident result of their allowing the poisonous abortion issue to tangle up efforts to pay American back dues to the United Nations, and by extension to replenish the International Monetary Fund.

These institutions are primary instruments of American global influence. To reduce the American position in them is serious enough. To do it for the sake of posturing on the abortion issue is shameful.

The House has voted to pay the back dues but, in a cynical amendment, to ban American aid to international family planning groups that lobby foreign governments to promote abortion rights. The Senate followed suit this past week in a mostly party-line vote of 51 to 49. At once Mr. Clinton threatened a veto. An override seems out of the question.

Most of the blame — for injecting abortion into the foreign aid debate in the first place — falls on the Republican-led Congress, which by its hostage strategy is inflicting heavy damage on American foreign policy. But Mr. Clinton has been maneuvered into a spot where he is no less ready than the Republicans to put his abor-

tion position ahead of his foreign policy responsibilities. Both sides claim a high principle. Each gives priority to a passionate political constituency.

The Senate Foreign Relations Committee chairman, Jesse Helms, warned that a veto would cost the president the United Nations arrears and much else. Nevertheless, an effort no doubt will be made to dig the United Nations and the International Monetary Fund out of the deep hole that abortion politics has left in them.

What is needed is not so much a consensus on abortion — which is too remote to be practicable, especially at a time of divided government — as a consensus on abortion procedure. If the issue is to be fought out, it should be done on domestic terrain. Too many other important considerations are at stake to let the abortion issue remain the fixture it has become in foreign policy debate.

That will require some restraint in both the word and deed of international abortion policy by abortion-rights advocates and adversaries alike. It is not an easy prescription to write. It requires a measure of civility keenly lacking in the current proceedings.

— THE WASHINGTON POST

The Euro: A Huge, Dangerous Gamble for Europe

By Josef Joffe

MUNICH — This weekend in Brussels, Europe will ratify its greatest gamble ever: a common money without a common government.

Come next Jan. 1, the currencies of 11 European Union member states will be irrevocably chained to each other; come Jan. 1, 2002, marks, guilders and francs will be history. There will be only euros and cents.

The gamble consists of three parts. One, most Europeans do not like the euro; for years, opinion polls have delivered solid majorities against this "Esperanto money" — or for its postponement. If there were a referendum, the euro would not make it.

Two, history confirms the doubt. Who remembers the Latin monetary union? Or the Scandinavian one? Or the East African shilling shared by Kenya, Tanzania and Uganda? They did not last long because their members did what nations always do: They went their own way in matters monetary and fiscal, breaking the bonds that held their currencies together.

Three, the task is gargantuan. For European monetary union to work, Europe will soon have to become like the United States in at least one of two

ways. Either the EU becomes a pluribus unum — a common state with a common identity and sense of obligation — or it turns "Reaganite," that is, into a common market that sheds its rigidities, regulations and redistributive habits. Or, even better, it does both.

The 11 euro club members will have to give up their sovereignty where it matters most. They cannot cheapen money to stimulate investment, they cannot go into deficit spending to spur consumption, they cannot devalue to increase exports. They will have to stay in a straitjacket.

But economics is about relentless change. How will governments deal with "asymmetric shocks" that affect the 11 countries in different ways? With monetary policy "outsourced" to fiscal policy heavily constrained, there are only three ways left, and each requires responses that Europe is badly equipped to execute.

Take a simple example: mounting unemployment in northern France. If Europe were like the United States,

wages would drop, attracting investments and new jobs. But wages in Europe do not fall, least of all in France; they are only upwardly flexible. Nor do wages differ much between regions, which are in the grip of nationwide bargaining agreements.

Second, if jobs do not come to the workers, workers go to the jobs — as Americans do. But Europeans do not move, not inside their own countries and certainly not from France to Denmark. Traditionally, lavish subsidies for declining industries have allowed people to stay in place.

The third solution is transfer payments on a Europeanwide scale — analogous to what happens in the United States. When the Midwest is in trouble, stabilizers kick in automatically. Washington takes in less in taxes and injects more money from various support funds.

But that demands more than just monetary union. It requires political union — a central government, a sense of national identity and obligation that Belgians, say, do not feel for Portuguese.

Moreover, the EU's taxing powers are limited to 1.7 percent of gross do-

mestic product, a pittance compared with what governments can do in the way of redistribution.

So the euro is more than a gamble. Living within the straitjacket of economic sovereignty foregone, Europe must part with its cherished statist and corporatist traditions; it must unleash the market and allow wage flexibility and geographic mobility to carry the brunt of adjustment.

Or Europe must understand that it cannot put the cart before the horse — that it cannot have a common currency without a common government, a United States of Europe. Again, the United States offers an instructive example. First, it had a constitution; then, in 1913 and with the Civil War in between, it established true monetary union in the guise of the Federal Reserve. That process took 126 years.

Yet Europe thinks it can do that by 2002. It is a huge gamble.

If it fails it may contaminate much of what Europe has achieved in the last 50 years.

The writer, editorial page editor of the *Süddeutsche Zeitung*, contributed this column to *The New York Times*.

Africa Needs Outside Help, and Also Needs to Help Itself

By Kofi Annan

The writer is secretary-general of the United Nations.

NEW YORK — For too long, conflict in Africa has been seen as inevitable or intractable, or both. It is neither.

Conflict in Africa, as everywhere, is caused by human action and can be ended by human action. This is the reality that shames us for every conflict we allow to persist, and that enables us to turn our rhetoric of commitment into a reality of genuine engagement.

Since 1970, Africa has had more than 30 wars fought on its territory, the vast majority of which have been intrastate in origin. Fourteen of Africa's 53 countries were afflicted by armed conflicts in 1996 alone.

These accounted for more than half of all war-related deaths worldwide and resulted in more than 8 million refugees, returnees and displaced persons.

No one — not the United Nations, not the international community, not Africa's leaders — can escape responsibility for the persistence of these conflicts. Indeed, colossal human tragedies have taken place in

Africa in the past decade, tragedies that could and should have been prevented.

Not enough was done to address the causes of conflict. Not enough was done to ensure a lasting peace. Not enough was done to create the conditions for sustainable development.

This is the reality of Africa's recent past. It is a reality that must be confronted honestly and constructively by all concerned if the people of Africa are to enjoy the human security and economic opportunities they seek and deserve.

The sources of conflict in Africa are as varied and complex as the continent itself. The significance of history and of factors external to Africa cannot be denied.

But more than three decades after African countries gained their independence, there is a growing recognition among Africans that the continent must look beyond its colonial past for

the sources and the solutions to its current conflicts.

In far too many cases, post-independence rule has been characterized by an acute form of winner-takes-all politics, where victory at the ballot box has translated into total control over a nation's wealth and resources. With the absence of proper checks and balances, inadequate accountability and lack of respect for human rights and the rule of law, political power has too often become a weapon for the few rather than the instrument of the many.

In these situations, the multi-ethnic character of most African states exacerbates already existing tensions and fears, making conflict virtually inevitable.

Good governance — ensuring respect for human rights and the rule of law, strengthening democratization and promoting transparency and capability in public administration — is now

more than ever the condition for the success of both peace and development.

It is not a coincidence that Africa's renaissance has come at a time when new and more democratic forms of government have begun to emerge and take root.

In every aspect of Africa's emergence from conflict, new ways of thinking and acting are needed on all sides.

In the area of peace and security, I recommend that African governments reduce their purchase of arms and munitions to 1.5 percent of gross domestic product; that an international mechanism be established to ensure the neutrality and disarmament of refugee camps and that these camps be placed away from borders, and that the Security Council meet twice a year to renew its efforts for Africa.

In the area of economic development, I have suggested that creditors consider clearing the entire debt stock of the poorest African countries while expanding the Highly Indebted Poor Countries program of the

World Bank, and that new rules guiding the transparency of public administration be implemented while international trade barriers to African products are removed.

Equally important is the understanding that peace and development remain inextricably linked — one feeding the other, enabling the other and securing the other. The renunciation of violence as a means of gaining and holding power is only the beginning. Then must follow a renewed commitment to national development founded on sober, sound and uncorrupted economic policies.

The time is long past when one could claim ignorance about what was happening in Africa or about what was needed to achieve progress. The time is also past when the responsibility for producing change could be shifted onto other shoulders. It is ours and it is theirs — the world's and Africa's.

The United Nations stands ready to play its part. So must the world. So must Africa.

The Washington Post

When Dealing With China, U.S. Must Not Snub Japan

By Tom Plate

TOKYO — As the clock ticks down on President Bill Clinton's June trip to China, a melancholy story is emerging that Japanese officials are ambivalent about even seeing in print.

Here's the problem: Of course, the Japanese, like everyone else in Asia, welcome better China-U.S. relations. But they do not welcome them at the expense of good Japan-U.S. relations, and they fear that the Clinton administration's decision to exclude even a courtesy stopover in Tokyo after its China sojourn will be misinterpreted, especially by the Japanese people, but also by the Chinese government.

Tokyo is resigned as well as bitter. It now accepts that it has no chance of getting from Mr. Clinton even the briefest of stopovers. So instead of asking, getting turned down and losing face, the Japanese would rather swallow hard and keep their peace.

But they are not at peace, for the underlying issue is a profound one that America is going to have to sort out if relations with China continue to warm.

The developing triangular relationship among Japan, China and the United States has a long way to go before attaining the same level of tortured Machiavellianism as that of the Cold War's Bermuda Triangle (Soviet Union, China, United States). But this new Asia-Pacific triad has its own potential for geopolitical treachery, and the way the June summit meeting is taking shape is starting to rattle the nerves of the member of the triad not invited to the Beijing party.

The complaint in Japan, which is in a state of tremendous upset now anyway, could be unkind hands be depicted as petty. It has many little parts. For starters, the trip is to last six full

days. This is quite a lengthy commitment by a U.S. president. Diplomatically speaking, it does match what President Jiang Zemin of China spent in America last fall, but also diplomatically speaking, it is twice as long a stretch as Mr. Clinton has ever spent in Japan, the foremost U.S. strategic ally in Asia.

That's one point. There is another: Mr. Clinton's compliance with Mr. Jiang's clever request that, either before or after the trip, the U.S. president stop nowhere else in Asia, as in Japan, is more problematic than it might appear. The worry in Tokyo is that growing tensions in the Japanese-U.S. relationship, epitomized by the public critiques of Japan's economic policies not only by Treasury Secretary Robert Rubin but also by President Clinton himself, will prompt the Japanese public

to interpret the presidential fly-over as a snub.

The Japanese government's own perspective is more geopolitical: If the president fails to call on Japan on the way back from China, will Beijing's transparent policy of seeking to drive a wedge between Washington and Tokyo seem to be vindicated? The Japanese realize that an American president cannot call on everybody, but many may come to suspect that this oversight is no oversight.

Tokyo has dramatically tried to meet Washington at least halfway on the economic front. A politically embattled Prime Minister Ryutaro Hashimoto late last month unveiled the biggest economic stimulus package in Japan's history. This \$128 billion program, it is hoped, will stimulate the country's economy and help reinvigorate Southeast Asia's.

It also is designed to quiet what is known in Japan as Washington's "megaphone diplomacy," the name for the well-known grumblings of, especially, Mr. Rubin.

Unless Mr. Hashimoto falls after forthcoming elections and is fated to be no more than Japan's eighth former prime minister in eight years (as some in Japan are predicting), Tokyo has now shown its economic cards; this government is unlikely to cave in to more U.S. pressure. Nor will it now risk losing face by officially com-

plaining about Mr. Clinton's travel plans.

But when Mr. Hashimoto meets Mr. Clinton at the summit of industrialized nations in England in May, the American president should bring it up himself and bighartedly propose a Tokyo stop. It would be a brilliant way to patch up Japan-U.S. relations and one that in the end China would have to accept.

As the well-connected millionaire and former diplomat Yoshio Hatano delicately puts it: "On balance, Clinton would do himself a lot of good if he dropped by, even for one afternoon."

Agrees Takeshi Kondo, a top executive of the worldwide Japanese trading company Itochu Corp., who like some other Japanese business leaders has been as critical as Mr. Rubin of Tokyo's economic policy: "The omission will give America's enemies in Japan a golden opportunity to criticize; it will send the wrong message to the Japanese public, and it will lead the Chinese to misunderstand the nature of the Japan-U.S. relationship. It is a fundamental strategic mistake."

As this new triangular relationship evolves, America must find ways of relating better to China without insulting Japan. It is not off to a great start. We Americans should listen more often to our Japanese allies. They know China better than we do.

Los Angeles Times Syndicate

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Russia's View

ST. PETERSBURG — The Russian view of the present war is for the most part based on sentimental grounds, and it is undeniable that the weight of opinion here is hostile to America. In addition to the feeling aroused by newspaper articles calculated to place Spain in the light of a heroic under-dog and to appeal to the Russian sense of gratitude for Spain's assistance in the overthrow of Napoleon by carrying on the Peninsular War, there is some anxiety felt as to the effect on Russian securities on the Paris Bourse.

Those who are losing ground will find ways to register their anger. Surely it is better to deal with the causes of that anger now than to wait until it becomes a larger threat to ethnic minorities and, just possibly, to democratic institutions.

Washington Post Writers Group

1923: Divorce Secrets

PARIS — [The Herald says in an Editorial] Whether the hearing of evidence in trials for divorce should be public is a question that is greatly interesting opinion in England, as well it may, for the publication of mar-

ital scandals in that country has run more to offensive details than in most others. In the House of Lords, condemnation of this indiscriminate publicity has been strongly expressed. Matters intimately touching the marital relation are sacred and, when immorality is involved, should be kept secret as a safeguard to the well-being of society. This principle is recognised in the French jurisprudence.

1948: Arabs Attack

JAFFA — An armed truce stifled hostilities in Jaffa at noon today (May 1), and Jewish interest swung northward after an official Haganah bulletin announced that the Syrian and Lebanese Armies had attacked across the Palestinian frontier. Jewish settlements four miles from the Lebanese border were assaulted at dawn by tanks, armored cars and infantrymen from the two Arab armies.

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Herald Tribune

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INTERNATIONAL

"Yeltsin Ignored Communists and Tycoons in Assembling New Youthful Team

By Michael R. Gordon
New York Times Service

MOSCOW — It was a month in the making, but President Boris Yeltsin has assembled a new team that is strikingly young, that is pro-reform and that is from outside of Moscow.

The Russian political establishment was stunned when Mr. Yeltsin selected the 35-year-old Sergei Kiriyenko as his new prime minister.

After a drawn-out effort to win confirmation for Mr. Kiriyenko, Mr. Yeltsin went further by filling out the top ranks of his government with a squad of young politicians cut from the same cloth.

A key appointment came Thursday when Mr. Yeltsin tapped Oleg Sytyuev as the third of three deputies to Mr. Kiriyenko. Like the new prime minister, Mr. Sytyuev, 42, also launched his career outside of the capital. He is a former mayor of the Volga River city of Samara, one of Russia's most reform-minded regions. A newcomer to Moscow, he has served in the Yeltsin gov-

ernment for little more than a year. That appointment was a major setback for Russia's business tycoons and the Communists, who had hoped to install one of their own at the pinnacle of the new government.

"It is an enormous change," said Anders Aslund, a former adviser to the Yeltsin government and a senior associate at the Carnegie Endowment for International Peace. "These are people from outside the establishment. They are all young. They are not tied up with the Moscow oligarchy."

Mr. Yeltsin's decision to leapfrog over an older generation of power brokers in favor of a new generation of politicians from Russia's provinces serves several political ends. It prevents a rival from using a high government post to drum up support for a presidential bid in the year 2000, as Mr. Yeltsin feared his former Prime Minister Viktor Chernomyrdin was doing before he fired him.

It is also intended to refresh Russia's gov-

ernment with a new sense of purpose. The team also appears to be independent of powerful interests — with the important exception of Mr. Yeltsin.

But Mr. Yeltsin's young chargers are also relatively untested in Moscow's brutal political wars. And while Mr. Yeltsin has demonstrated his mastery of political maneuvering and intrigue, he and his new aides now have to show they have the patience, fortitude and skills to govern as a team.

In political terms, that means building the government's credibility with the public by ensuring that wages are paid on time and preventing insider deals in the auction of state businesses. It also means pushing through long-stalled legislation, like tax and land reform, cutting the budget and persuading Russians to pay their taxes, a task that has eluded the most determined officials.

Mr. Yeltsin's latest appointments are part of a broader effort to revamp and slim down the government. Under the new power structure, Mr.

Kiriyenko will have only three deputy prime ministers. They include Anatoli Chubais, 42, Russia's best-known free-market proponent, to serve as the chief executive of the electricity monopoly, United Energy Systems.

Mr. Yeltsin rebuffed the tycoons, including Boris Berezovsky, who insisted that the president give them a free hand to run the economy by demoting Mr. Nemtsov and turning his back on Mr. Chubais. The main prize the tycoons received was the appointment of Mr. Berezovsky

as executive secretary of the Commonwealth of Independent States, a loose and ineffectual organization of former Soviet Republics.

The tycoons were also thrown a bone when Sergei Generalov, 34, an executive from the Menatep bank and a former oil executive, was named as minister of fuel and energy. That bank is linked to the new Yukos oil company, which is controlled by Mikhail Khodorkovsky and Mr. Berezovsky.

Moscow May Day

Thousands of trade unionists and Communists marched through a sunny Moscow on Friday to mark Labor Day with protests and warnings for the new Russian government, Reuters reported from Moscow.

"This is a temporary team that sooner or later will depart, just as the slushy spring snow disappears from the fields of Russia," the Communist Party leader, Gennadi Zyuganov, said as he led a march of some 30,000 followers and sympathizers.

NATO: U.S. Vote for Expansion Is Cheered

Continued from Page 1

than 80 percent support for inclusion.

The news of the vote came on a major public holiday in Central Europe. In Poland no newspapers were published, but even so by the middle of the day many ordinary people knew about the vote. For most it was a victory.

"I think we will be more secure and more security means more prosperity," said Jack Zembruski, 30, a real estate developer, as he walked with his friend Iwona Gawron, 30, in Lazienki Park in Warsaw.

"I hope the NATO documents will be more respected than other security documents Poland had before 1939," said Miss Gawron, referring to the failure of Poland's allies to come to its aid in the face of a German attack at the start of World War II.

One of the most emotional moments came in the gallery of the Senate when, after the vote, the former head of the Polish section of Radio Free Europe, Jan Nowak-Jezioranski, 87, leaned over to the Polish ambassador, Jerzy Kozminski, and said, "We lived to see that."

Vote Cut Across Party Lines

Eric Schmitt of The New York Times reported earlier from Washington:

The vote garnered far more than the two-thirds majority needed to approve the resolution. In a historic vote that cut across party and ideological lines, 35 Democrats joined 45 Republicans in support, and 10 Democrats and 9 Republicans opposed the resolution.

Adding three countries to the North Atlantic Treaty Organization requires the approval of all 16 existing NATO members. Once President Bill Clinton formally ratifies the resolution, the United States will become the fifth country to support expansion, joining Canada, Germany, Denmark and Norway.

Enlarging NATO would redraw the boundaries of Europe, pushing the military alliance 400 miles (650 kilometers) eastward toward Russia. Perhaps most important for the United States, an expanded NATO would commit U.S. military forces to the defense of Prague, Warsaw and Budapest as if they were

Washington, London or Rome.

Supporters said expanding NATO would promote U.S. security interests by nurturing new democracies in Europe, providing a hedge against a resurgent Russia and bolstering the alliance's ranks by 200,000 troops, many trained in such specialties as detecting poison gas on the battlefield.

"NATO enlargement will make Europe more stable and America more secure," said Senator Barbara Mikulski, Democrat of Maryland. "It means future generations of Americans will not have to fight or die in Europe."

But critics contend that expanding the pact will dilute NATO's self-defense mission, antagonize Moscow, jeopardize several Russian-U.S. arms-control negotiations and draw a new dividing line — a new Iron Curtain — across Europe.

"We'll be back on a hair-trigger," said Senator Daniel Patrick Moynihan, Democrat of New York, warning that enlargement would rekindle the Cold War. "We're talking about nuclear war."

Expanding NATO has become one of the biggest foreign policy issues before Congress in decades. It also hands a victory to Mr. Clinton, whose administration has lobbied hard over the past year to win entry to the NATO club for the three new members.

"This vote is a major milestone on the road to an undivided, democratic and peaceful Europe," the president said after the final vote.

The Senate's approval leaves several questions unanswered. How many of the nine other nations seeking membership will be invited to join, and when? How much will expansion cost?

Lawmakers have dealt severe setbacks in recent days to two of the administration's other top foreign policy goals: paying approximately \$1 billion in back dues to the United Nations and providing \$18 billion in new financing for the International Monetary Fund.

On the Senate floor, senators dismissed one by one major amendments that would have tacked conditions on to this and any future rounds of expansion. A proposal to delay consideration of any new members beyond the three under review was rejected, 59 to 41.



A Jakarta stock trader checking the figures as the benchmark index fell 2.5 percent Friday over political tension.

INDONESIA: Suharto Rules Out Political Reform Before 2003

Continued from Page 1

port of the military and the populace. The demonstrations that began two months ago, before Mr. Suharto's appointment to a seventh five-year term by a rubber-stamp national assembly, have largely been a phenomenon of students only. The protesters say that is because security forces have prevented them from leaving their campuses.

Mr. Suharto has refrained from directly addressing the students' demonstrations but has implied that there will be a limit to his tolerance.

"Any attempts to disrupt the interests of national development and stability

should be countered," Mr. Hartono quoted the president as saying. The home affairs minister said that if the demonstrators "don't understand the effects of their actions, we will face them."

The West has stepped up pressure on Jakarta to respect human rights following reports that about 15 political activists were seized by shadowy groups suspected of being linked to security forces.

U.S. to Back \$1 Billion Payment

The United States is preparing to back a \$1 billion payment in international emergency aid to Indonesia, despite evidence that Mr. Suharto's family and friends are continuing to undermine ef-

orts to break up the multibillion-dollar monopolies they control, The New York Times reported from Washington.

Treasury officials acknowledged Thursday that Indonesia had failed to meet some of the most important conditions that were imposed by the International Monetary Fund in return for the \$43 billion bailout package. Nonetheless, they said, Washington expects to vote in favor of a gradual resumption of aid when the Fund's board meets next week.

Officials said they wanted to encourage Indonesia for making a number of painful changes in the last two weeks, particularly raising interest rates and halting lending by the central bank.

GERMANY: Pondering Violence

Continued from Page 1

"They believe that if foreigners leave, there will be more jobs, if asylum-seekers leave, there will be more welfare money," Mr. Heidelberg said.

The German People's Union, he said, "stokes" animosities against foreigners with its campaign slogans like "Criminal Foreigners Leave" and "German money for German jobs."

Youths between the ages of 14 and 20 account for 70 percent of the East German attacks, police records show. The Berlin-based Center for German Culture, headed by Bernd Wagner, a sociologist, found that one in three East German youths expressed some form of racist leanings.

After 57 years of Nazi and Communist dictatorships that imposed absolutist answers to social ills, many youths have struggled with the process of democracy and found a misguided form of fellowship in the far right, experts say.

"The aggressors believe they are carrying out the will of a part of the population," Mr. Frisch told the newspaper, Die Zeit.

The violent trend shows that Germany's unemployment crisis has taken on a worrisome new social dimension in the East, Mr. Loesch said. At 20.6 percent, the official jobless rate in Germany's "new Eastern states" is double the West's 10 percent.

Although Germany's liberal asylum policies have made it into one of the most ethnically diverse states in Europe, with a foreign population of more than 10 percent in Western Germany, the foreigners in Eastern Germany account for less than 2 percent.

The rise in the attacks coincides with a search for solutions. The Eastern state of Brandenburg, which last year suffered the highest per-capita rate of rightist violence of all German states, mobilized a 45-member rapid-deployment police unit against extremists.

In Magdeburg's Neu-Oranienburg district, where the Palestinian was attacked in March and where many of the city's skinheads assemble, city leaders have channeled over 500 million Deutsche marks (\$280 million) into the neighborhood since unification in 1990.

But neither parental activism nor police crackdowns will attack the root problems, Mr. Wagner said. What is needed, he said, is a massive budget to hire and train armies of social workers to work in the inner cities and instill a sense of tolerance and democracy.

New polls document the extent of the anti-immigrant bias.

Nearly half of all Easterners, 48 percent, believe that foreigners take away their jobs, according to a recent poll by Germany's Emnid election research group. That compares to 28 percent in the West.

"It is an economic dissatisfaction," said Dieter Walz, who carried out the poll for Emnid. "If the economy could improve, this phenomenon would diminish."

Leftists Protest in Leipzig

The police used water cannons and riot sticks to disperse thousands of leftist protesters on Friday who were trying to disrupt a far-right May Day rally in Leipzig, Reuters reported.

Police moved in after leftists hurled rocks and bottles at police lines, witnesses said. Police also used riot sticks to beat back rightists, who threw bottles and stones and tried to attack leftists and journalists.

CLINTON: Testy President Scorns Starr and Inquiry, Discerning a Long-Term Effort by Foes to Undermine Him

Continued from Page 1

Barely an hour after Mr. Clinton finished speaking, Mr. Starr's office announced the indictment on federal tax evasion charges of Webster Hubbell, the president's close friend and a former law partner of his wife, Hillary, in Little Rock, Arkansas.

The indictment of Mr. Hubbell, who has already served time in prison on unrelated charges, was widely expected and may have contributed to Mr. Clinton's at-times edgy demeanor at the news conference.

The 10-count indictment on charges of conspiracy, tax evasion and mail fraud outlined a scheme in which Mr. Hubbell and his wife, Suzanne, earned more than \$1 million and spent more than \$750,000 but took steps to conceal their income from tax collectors.

In the press conference, Mr. Clinton also scoffed at the House speaker, Newt Gingrich, who has been denouncing him regularly and did so again Wednesday night, when he called the president an "illegal man" surrounded by "spies."

Mr. Clinton dismissed the speaker's attacks as "a few days of high-level static in the House of Representatives." He also said, "I can be responsible for a lot of things. But I'm not responsible for the speaker's behavior."

The president, appearing at a news conference without a foreign leader at his side for the first time since December, took more than 30 questions in 54 minutes from reporters in the White House East

Room. Half of the questions concerned the Lewinsky investigation or related matters.

Several reporters asked whether Mr. Clinton, by refusing to answer questions fully about an alleged sexual relationship with Ms. Lewinsky, had surrendered the moral authority he needs to govern.

It was those questions that prompted the president's comments on reputation and character, a response that aides said was rehearsed and arose from Mr. Clinton's own musings on personal morality and public responsibility.

He said he had already denied engaging in a sexual relationship with Ms. Lewinsky or orchestrating an illegal effort to cover it up.

"Since I have answered the underlying questions, I really believe it's important for me not to say any more about this," Mr. Clinton said in deflecting one of many questions on the Lewinsky matter. "I think that I'm in some ways the last person who needs to be having a national conversation about this."

The president said he felt "terrible" about the toll that Mr. Starr's investigation, as well as inquiries by several other independent counsels, has taken on his friends and employees. Dozens of White House aides and Arkansas associates have appeared before federal grand juries in Washington and Little Rock to testify about the Whitewater real estate and banking deal, as well as the Lewinsky charges.

Mr. Clinton repeated a promise to try to help these witnesses pay their legal fees, but then turned again bitterly on Mr. Starr.

"I feel terrible about it, and if I can think of something to do about it, I will," Mr. Clinton said.

He added, however, that he did not feel personally responsible for these friends' plights, placing the blame squarely on the independent counsel. "If there's one person in the world I'm not responsible for, it's Starr. I think all of you would agree that."

Asked what his plans were for issuing pardons, Mr. Clinton said that none of his aides who have been targeted in the various investigations had sought a pardon. "No one's asked me for one and there's been no discussion about it," he said curtly.

Mr. Starr has complained that his inquiry has been slowed by foot-dragging by Mr. Clinton and his legal team.

The Secret Service has resisted allowing several officers to testify about things they may have heard or seen in the White House, saying such testimony would violate an untested "protective" privilege shielding the president's bodyguards.

And Mrs. Clinton declined to answer two questions about conversations with her husband at a deposition last week, citing the common-law doctrine of spousal privilege.

Mr. Clinton refused to discuss his claim of executive privilege, citing a federal judge's order that all grand jury matters be kept secret. He said the Secret Service was trying to protect the president's privacy by declining to provide testimony.

And he said of prosecutors, "shame on them" for implying that Mrs. Clinton had ducked questions in her deposition. The Clintons' lawyer, David Kendall, said this week that she had properly invoked spousal privilege in refusing to divulge the content of conversations with her husband.

Lewinsky Said to Lose Immunity Fight

Ms. Lewinsky has lost her court fight to enforce an immunity deal with Mr. Starr, individuals familiar with the case said Thursday, setting the stage for prosecutors either to obtain the former White House intern's testimony about an alleged sexual relationship with President Clinton or indict her, The Washington Post Reported.

The chief U.S. district judge in Washington, Norma Holloway Johnson, issued a written order more than a week ago rejecting Ms. Lewinsky's assertion that she had a legally binding agreement with Mr. Starr to shield her from prosecution in exchange for testimony, according to the individuals. Judge Johnson sent the order privately to lawyers in the case but has yet to enter a formal ruling, they said.

Although Ms. Lewinsky's lawyers promised to appeal it, Judge Johnson's decision could give new momentum to Mr. Starr's investigation of whether President Clinton lied under oath in the Paula Jones sexual harassment lawsuit about a sexual relationship with Ms. Lewinsky and urged others to do the same. The investigation has been slowed in recent weeks by a variety of legal disputes.

RWANDA: Ex-Leader Admits to Genocide

Continued from Page 1

both in Rwanda and at the tribunal because their whole philosophy, their whole ideology — to deny that there was a genocide — is no longer valid," said Rakiya Omar, director of African Rights, a London-based human rights organization.

"The fact that he has settled accounts with his own conscience, in spite of the propaganda machine both inside and outside Rwanda," Mr. Omar said, "is very encouraging to the prospects of justice."

Tribunal officials suggested that Mr. Kambanda's guilty plea was not connected to the 22 public executions carried out by the Rwandan government on April 24. Rwanda's trials of genocide suspects are conducted independently of proceedings in Arusha.

Mr. Kambanda's guilty plea "is a big deal," Gerald Gahima, deputy justice minister of Rwanda, said in a telephone interview. "It's the first time that someone who was in a position of authority in 1994 has come forth to own up to his crimes."

The tribunal should be "commended for this," Mr. Gahima added, "but they still have a long way to go. We commit our support to them. An effective international tribunal is in our best interests."

Mr. Kambanda, arrested in July in Nairobi, had made it clear from "day one" that he intended to plead guilty to his role in the genocide, Bernard Muna, deputy prosecutor of the tribunal, said at a news conference.

Mr. Muna said that the tribunal had promised Mr. Kambanda neither material nor legal benefits, such as a reduced sentence, in exchange for his guilty plea. The tribunal has agreed, however, to provide protection for his wife and two children, Mr. Muna said.

Mr. Kambanda is eligible for a maximum sentence of life in prison because the tribunal does not apply the death penalty. But one tribunal prosecutor speculated that Mr. Kambanda might eventually win reduced prison time if he cooperated in other cases.

Oliver Michael Inglis, Mr. Kambanda's attorney, said at a news conference that his client had decided to plead guilty because, "as prime minister, he had to take the rap."

In a statement to the tribunal acknowledging his part in the genocide, Mr. Kambanda suggested that he chose to admit guilt in part because he wanted to "contribute to national reconciliation in Rwanda," said one person familiar with the document.

In addition, the source said, Mr. Kambanda confirmed that the Rwandan government had "planned the genocide."



PEACE DOCTOR — George Mitchell, who brokered the Irish peace accord, accepting an honorary doctorate Friday from Trinity College in Dublin.

North Korean Accord at 'Risk'

SEOUL — A four-year-old agreement to prevent North Korea's acquisition of nuclear arms is at "grave risk" because the United States and its allies cannot agree on how to pay for the energy they promised North Korea in return, according to officials traveling with Secretary of State Madeleine Albright.

Mrs. Albright devoted a large part of her time with Foreign Minister Park Chung Soo to the funding crisis. "There was no solution reached," a senior State Department official said.

The secretary of state sought to build a sense of urgency on the subject Friday to prod allies to step up their contributions. But she also made clear, by way of reassuring North Korea, that the United States would find a way to honor its bargain.

"There should be no doubt we will fulfill an agreement as important as this one," she said. (AP)

U.S. Urges Khmer Rouge Trials

UNITED NATIONS, New York — The United States urged the Security Council on Thursday to establish a war crimes tribunal to try leaders of the Khmer Rouge for the murders of more than a million people when Cambodia was under Khmer Rouge control in the 1970s.

U.S. officials said they acted at this time because the Khmer Rouge guerrilla forces are believed to be on the verge of collapse, and their leaders are expected to flee into Thailand or other neighboring countries. Their chief leader, Pol Pot, died two weeks ago.

A draft resolution introduced by the United States to the 15-nation council calls for the proposed tribunal to operate in The Hague, where the United Nations already has a special tribunal to try persons accused of war crimes in the former Yugoslavia. Under the U.S. proposal, the new court would have its own judges but would share the facilities of the current court. (WP)

Car Kills 13 Mexican Soldiers

SAN CRISTOBAL DE LAS CASAS, Mexico — A speeding car driven by an air force officer went out of control Thursday and slammed into Mexican troops jogging down the road, killing 13 soldiers and injuring six.

Prosecutors said 28 soldiers were carrying out routine exercises when an air force lieutenant colonel crashed his car into them outside the Copalar air base in Comitán, Chiapas, about 30 kilometers (30 miles) from the Guatemalan border.

"The driver has been detained and will be turned over to the appropriate authorities," the Defense Secretariat said in a news release. It was unclear whether charges would be brought in military or civilian courts. (AP)

ART

Weaving the Strands
Of the Russian IconBy Souren Melikian
International Herald Tribune

LONDON — If art ever mirrored the cultural avatars of a nation that would ultimately lead to a radical change of direction, this is it. "The Arts of Holy Russia: Icons From Moscow, 1400-1660," on view at the Royal Academy until June 14, effectively records in visual fashion the first metamorphosis undergone by Russia when strains of Western influence began to touch it.

It was a double paradox. Change should have been unworkable. The art of the icon ("image," in Greek) was passed on to the first Russian state with Christianity itself by Byzantine Greece when Vladimir, Grand Prince of Kiev, adopted the Orthodox creed in 988, and Byzantine images followed sets of rules rooted in theology and symbolism. Innovation for innovation's sake was inconceivable.

The second paradox is that a leading role should ever have been assumed by Moscow. When the city was founded in 1147, it was probably no more than a riverside settlement in a land largely populated by Finnish groups. These would later be submerged by the Slav eastward progression, leaving only place names, "Moskva" included. Had the Russia of Kiev not been annihilated by the Mongol invasion, which culminated in the destruction of Kiev itself in 1240, Muscovy might never have risen to the position of preeminence that it came to hold among Russian principalities by the early 1400s.

Its approach to the icon was conservative. Some early 15th-century images faithfully repeat models of 250 years earlier. A "Virgin and Child" that opens the show does not differ in its composition or stylized expression from those painted on church walls in Novgorod far to the north around 1140. Mary's head tilted three quarters forward with big sorrowful eyes staring at some invisible point, aghast at dire events to come is a timeless Orthodox archetype.

The author of another "Virgin and Child" painted in the early 16th century for the Chapel of Saints Peter and Paul in the Cathedral of the Dormition in the Kremlin felt no urge to alter the model. He added circular medallions enclosing the effigies of saints on broad framing bands, but these too send back echoes of a distant past.

Change, however, did set in. Most surprising, perhaps, it came about in the oeuvre of one of the most ascetic figures of Orthodoxy, the monk Andrei Rublev.

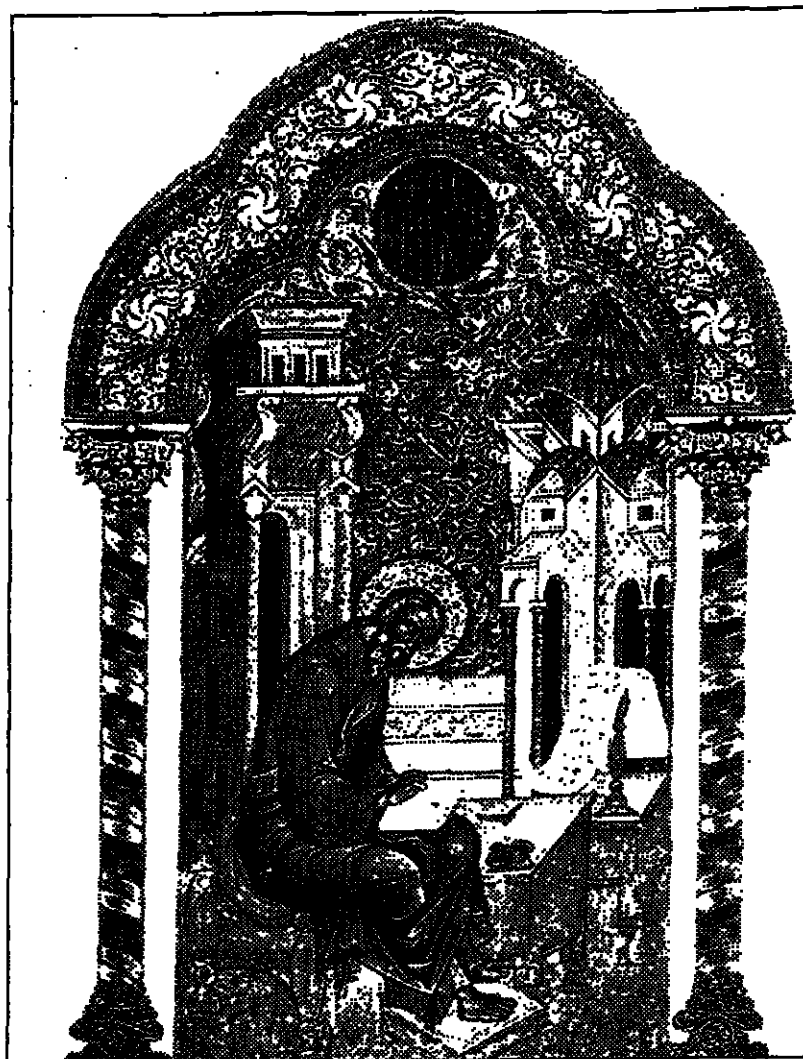
"Nativity," painted in 1425-1427 for the Monastery of Saint Sergei, and a variant on the theme by an unidentified artist that can be seen in the London show are handled as visionary landscapes. Mary lies on a blazing red couch that seems to be floating rather than resting across a rocky mound. The mountainous setting painted in gold, with shading in white, owes a great deal to late 14th-century Italian art, while the handling of the trees points to the more modernistic strains in Byzantine manuscript painting.

Indeed the idea of weaving several scenes into a single pattern — "The Magi," "The Annunciation to the Shepherds," "The Two Midwives Bathing the Infant Jesus" who is thus seen twice, first here and then swaddled on a couch near the reclining Mary — may reflect the specific impact of book illustration in which different moments of a narrative can be depicted in the same image. But Italy alone inspired the aesthetic balance of the composition.

Whether Italian influence came chiefly via Byzantine painters such as Theophanes the Greek in the late 14th century or through Italians in Moscow (later they took a leading role in the remodeling of the Kremlin as it now stands) cannot be determined. But it was clearly making itself felt as early as about 1400. Otherwise compositions such as "Ascension," thought to have been created around 1408 by Daniil Tichomy and Rublev, or its anonymous variant in the London show would not have been conceived.

THE arrangement of the 12 apostles in two groups on either side of Mary effectively building up two rows of monumental figures irresistibly suggests some Florentine Primitive taking his cue from Ancient Roman carved bas-reliefs. In the middle, Mary stands as elongated and hieratic as some 11th-century ivory from Constantinople. Yet, her face betrays the new age. It conveys a very human mix of wonder and emotion. The circular blue mandorla in which Jesus is seated in his heavenly ascent, supported by two fluttering angels is very Byzantine, but the handling of the angels' faces with their individualized features and expressions again points to an Italian strain.

Until the end of the 15th century, Russia seemed to be looking in both directions, Greece remaining by far the stronger influence. The anonymous artist who painted "Transfiguration of Christ" for the Church of the Savior in the Forest, in the Kremlin, modeled his composition



"Four Gospels of Isaac Birev," 1531, in the Royal Academy exhibition.

on a late 14th-century icon often attributed to Theophanes the Greek. An outsized Jesus stands on an unreal rocky hilltop, enveloped by a blue mandorla, as two apostles perched on rocky peaks bow to him. Overlaid by the divine light radiating from Jesus in very fine rays, three other apostles fall back. The color scheme, the stylized drapes, recall the frescoes of the Constantinople church now called Kahryye Cami.

For some considerable time a blending of the two conflicting strains seemed to be on its way. At the beginning of the 15th century, Rublev painted a famous "Trinity" for the Trinity Cathedral in the Monastery of Saint Sergei. Three angels seated around a table on which a single chalice is set convey a curious impression of intimacy, as if engaged in some heavenly but convivial banquet. The symbolism is Byzantine as are the conventions, the feeling Italian. The rudiments of a landscape appear higher up — an Italianate touch under the garb of Byzantine conventions.

A century later, an artist from the circle of Dionysii took it one shade further. In his version of the "Trinity"

on view in London, he changed few details — the chalice has given way to a pyx. But one innovation is astonishing. A dreamy, slightly amused smile hovers on the lips of the angels, utterly alien to the spirit of Byzantium. It is as if the Russian icon painter had looked at the angels of Leonardo.

Equally surprising, the art of individualized portraiture insidiously crept into iconic figuration. The monumental standing figures of Mary, Saint John the Baptist, Saint Peter and Saint Paul that the monk Kormil Komelski painted in 1501 for his monastery speak of a new world. Their faces have highly distinctive expressions.

The movement toward a merger of the two strands, the Byzantine core and the humanistic loans, stopped short. A clumsy icon of Saint Boris and Saint Gleb painted around 1500 even suggests some extreme reaction, looking back several centuries, to the rigid stylization of early Byzantium. The heads, absurdly small, border on caricature. Turning back the wheels led nowhere. Russian icon painting slowly withered away, reduced to uninspired stereotypes.

Art in the Galaxies
Capturing Deep-Space LightBy Margaret Loke
New York Times Service

NEW YORK — Out in deep space, our universe of heavenly bodies is a riot of glorious colors and fantastical shapes. But you won't know that by looking at the night sky, which, even in the clearest weather when it is dotted by seemingly endless stars, is a minimalist study in black and white. That is because the eye is unable to perceive colors when the source of light is small and faint.

One man has done much to show that objects in deep space have astonishing colors.

David Malin, the photographic scientist at the Anglo-Australian Observatory in New South Wales, Australia, has been photographing celestial objects in the night sky for about 20 years through the observatory's telescope, one of the largest in the world.

For years Malin's photographs have been exhibited mostly at scientific institutions in shows like the current "Night Skies: The Art of Deep Space," through Aug. 31 at the National Academy of Sciences in Washington. But his photographs are now being shown as art. They appeared last year at the Victorian Art Center in Melbourne. On Saturday, "David Malin: View of the Universe" opens in New York at Howard Schickler Fine Art in SoHo.

In his achievements as an astronomical photographer, Malin stands alone. Not only is he known in scientific circles for his superb astronomical photography, but he has also invented new photographic processes to detect very faint distant objects, and in 1987 he discovered what Scientists American calls the largest galaxy known, Malin 1.

One of his inventions, photographic amplification, is a way of copying glass plates to increase the signal of the faint object against the natural glow of the night air. Malin used it in the early 1980s to discover a new kind of galaxy. Looking through existing glass plates taken by the observatory's companion Schmidt telescope, he isolated and amplified shells, or fossil remnants, around featureless elliptical galaxies.

Scientists had believed that elliptical galaxies were formed when galaxies collided and coalesced, and Malin's discovery of the hitherto barely detectable shells confirmed this idea.

The Anglo-Australian observatory is on the eastern edge of the Australian outback, where the night sky is exceptionally dark and pollution-free, and where there is a 65 percent chance of clear weather.

When Malin applied for the job to start the observatory's photographic laboratory in 1975, he was neither an astronomer nor a professional photographer but a 33-year-old chemist at the Ciba-Geigy chemical company in Manchester. But photography was something Malin had enjoyed since he was a teenager in England, experi-

menting with a simple box camera to take pictures of star trails.

A recent British documentary about Malin, "The Man Who Colors Stars," shows how he positions himself in the "prime focus cage." He steps into a round cubicle that is open at one end, with the camera in the base and the telescope's primary 38-foot mirror beneath it. The cubicle is tilted by computer to nearly horizontal for access.

Color film is not used for several reasons. With color film, contrast decreases as exposure time is increased to make faraway faint objects clearer. But color is important in astronomical photography because it contains information on the star's age, temperature, and composition. It also says something about the physical state of the gas and dust from which stars are formed.

Hot stars, like the sun, appear white. The coolest stars are a deep orange-yellow. Stars 10 times as hot as the sun are sky-blue.

In the last two decades, Malin has made about 150 deep-space images, mostly for scientific purposes, but in recent years he has had bad luck making more pictures. Sessions in 1993 and 1996 were failures because of bad weather. In 1994, Eastman Kodak, which had been supplying the special glass plates used by Malin, stopped production of those plates, and he has had to use much slower plates requiring longer exposure times.

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Seoul Nods At Church's Foray North

Reverend Moon's Group Wants to Talk Investment

By Don Kirk
International Herald Tribune

SEOUL — The sprawling business empire known as the Unification Church is making a push to expand into North Korea with the apparent blessing of the South Korean government.

The Unification Church is using an invitation for its song-and-dance troupe Little Angels to perform in the North as an opportunity to talk about investment, church officials said Friday. The group is to arrive in Pyongyang on Saturday, led by Pak Bo Hi, right-hand man of the church's founder, the Reverend Sun Myung Moon, and a controversial figure here who risked imprisonment in Seoul by attending the funeral of North Korean leader Kim Il Sung in 1994.

The Unification Church, whose Tongil Group ranks about 35th in size among South Korean conglomerates, appears to have Seoul's permission to discuss possible investments with North Korea. Tongil, which means "unification" in Korean, owns factories and a chain of small stores in the South.

The day before the departure of the Little Angels troupe, the South Korean government Friday removed the \$5 million ceiling on investment in the North by South Korean companies and did away with the \$1 million limit on machinery sent north to build factories.

The new rules permit South Korean companies to engage in any type of business in the North except those classified as strategic defense industries, including electronics, aeronautics and computer science. The government also decided to grant multiple permissions to go to the North for South Koreans with business interests there.

"Our business dialogue with the North will resume," Mr. Pak said.

Mr. Pak cited fields ranging from machinery to soft drinks to tourism as possibilities for investment by Tongil. "On our behalf, I will talk about business possibilities," he said. He is leading the entourage that includes 38 performers, all girls aged 9 to 14, and 30 adults.

"We know the North is eager for South Korean investment," said Jean-Jacques Grauhar, who spent seven years as a business consultant in Pyongyang before moving to Seoul five years ago. "Investment from the South is the hope for the North to survive economically."

Mr. Grauhar, executive director of the European Union Chamber of Commerce in Korea, said that it was a way for South Korean companies to eventually set up factories and hire workers at low costs.

The wealth of the Unification Church is a secret, but its land holdings in South Korea were valued at more than \$1 billion in 1990, according to a study by the Far Eastern Economic Review.

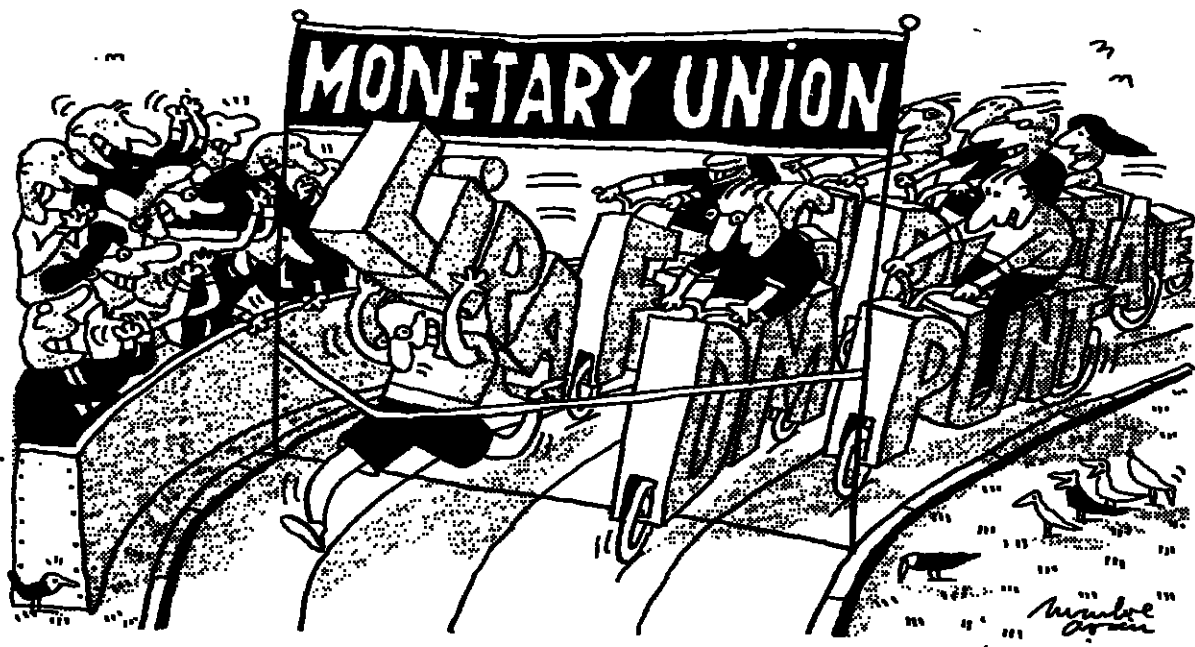
Mr. Pak said he hoped the trip would give Tongil a tactical advantage in the North over Hyundai Group, South Korea's largest conglomerate, which sent a team to Pyongyang last month to talk about opening the Diamond Mountain region in southeastern North Korea to tourism.

Hyundai's founder, Chung Ju Yung, whose native village is near the east coast and 20 miles (32 kilometers) north of the area, proposed exploiting the region for tourism in a pioneering mission to North Korea in 1989.

Mr. Chung, now 84, hopes to revisit the North in the next few weeks, but Mr. Pak will be competing for much the same business.

Mr. Pak noted that the Unification Church, through business arms outside Korea, owns the hotel in Pyongyang where the Little Angels group will be staying. The fact that Mr. Pak, who helped the Reverend Moon found the ensemble in 1962 and the Washington Times newspaper in 1982, can go from South to North Korea on such a mission symbolizes a shift in South Korea's

See CHURCH, Page 11



Please Pardon Italy if It's Gloating

As Euro Takes the Field, Rome Celebrates Success in Making the Team

By Alessandra Stanley
New York Times Service

ROME — This weekend, 11 countries will formally join the European monetary union. Dismissed only a year ago as one of the countries least likely to make the finish line, Italy will sail across it with its arms stretched out in exultant victory.

Italian officials, who trimmed the deficit, lowered interest rates and began reducing Italy's staggering public debt, view themselves as "Chariots of Fire" underdogs who won an Olympic race. Skeptics, particularly Germans, tend to view Italy as a chorus girl who took diuretics to slim down and fit her size 6 costume. And there is a lingering fear that any moment she could pig out, swell up and ruin the entire kickline.

Truth lies somewhere between the two caricatures. The coalition government of Prime Minister Romano Prodi, supported by a rare consensus among labor unions, business and taxpayers, made heroic strides in cutting spending and raising revenue to bring down Italy's deficit to European standards. Mr. Prodi was also lucky: inflation and interest rates are down worldwide, making it easier for Italy to pay its debts and keep its inflation low. Much of the fiscal discipline has been relatively painless.

"We Italians have had to go without dessert a few times," is how Giorgio Benvenuto, president of the finance committee in the Italian Parliament,

described Italy's Eurodiet. "But we have not yet had to miss a meal."

The concern now is not that Italy will be excluded, but that once in, it will relax and fail to sustain necessary and more painful fiscal discipline and structural reform.

For the moment, Italy is gloating, its victory sweetened by the memory of many sour predictions by European Union officials in Brussels and others that Italians would never be able to pull their economy into shape to join the monetary union, which is to create a common currency, the euro. As late as 1997, Italy's chances seemed embarrassingly dim. In 1992, when the Italian lira went into free fall and was pulled out of the European exchange rate mechanism, they seemed hopeless.

But the lira crisis, compounded by a typhoon of political corruption scandals, forced Italy to scale back its reckless spending.

Its economic comeback was also helped by the devalued lira, which gave Italian business a competitive advantage. When Mr. Prodi was elected in 1996, he campaigned on a message of Europe or bust.

But Italians cannot yet afford to let up. Italy's public debt, for one thing, is still alarmingly off-keel: At 122 percent of gross domestic product last year, the debt is twice the level mandated by the single currency treaty. The government last week published a three-year plan to reduce public debt to 107 percent of gross domestic product by 2001 and to balance the budget after that.

But the government, eager to reassure its European partners that Italy will maintain its new discipline, also said it would get the debt down to 100 percent of GDP by 2003 and to the limit of 60 percent by 2016, the level required by the Maastricht treaty establishing a single currency.

In Italy, economists are torn between horror and wry amusement at the pledge.

Even if the European and American economies remain relatively good and Italy sustains a growth level of 2.7 to 3 percent in the coming years as it predicts — a feat that Italy has not accomplished in a decade — it would be financially and politically difficult to continue spending cuts to pay off debt. In a recession, it would be all but impossible.

"The political majority that got Italy into Europe cannot get it out of debt," said Renato Brunetta, a political economist who heads the Fondazione G. Brodolini, a research institute. He insisted that Italians — let alone the Communists whose support the government needs — would never accept, for more than a decade, having to pay more in taxes than the government provides in services. Mr. Brunetta said the pledge would spark "a French Revolution."

Others are more sanguine. "We have a moral obligation to steadily reduce our public debt," said Paolo Leon, an economist at the University of Rome. "But there is nothing about

See LIRA, Page 11

U.S. Economy Posts Surprising Growth

Inflation Is Subdued as Rate Reaches 4.2%

By Sylvia Nasar
New York Times Service

NEW YORK — The American economy grew at a surprisingly strong pace this winter, and inflation remained unexpectedly subdued, the government has reported.

Instead of slowing down as the Asian recession hit American manufacturers, the economy picked up speed, according to data released Thursday, growing at a 4.2 percent annual rate in the first quarter compared with a 3.7 percent rate in the previous quarter. And instead of drifting higher as Washington and Wall Street feared, the broadest measure of inflation dipped below 1 percent to its lowest rate since 1964.

"We keep expecting a slowdown, and it never comes," said Jeffrey Frankel of the Council of Economic Advisers. "We're returning to the economy of the '50s and '60s — a remarkable, remarkable combination of strong growth without inflation."

President Bill Clinton called the data more evidence of an "American economic renaissance in which opportunity is abundant." He said that growth was not being "fueled by big government deficits," in an apparent reference to the recovery of the 1980s, and dismissed the notion that the economy was bubbling over with speculative excesses. He gave much of the credit for the economy's performance to Alan Greenspan, chairman of the Federal Reserve Board.

Investors have been fretting that the Fed is about to raise interest rates, a concern that helped send the Dow Jones industrial average plummeting more than 140 points Monday.

On Thursday and Friday, they apparently decided to focus instead on the good news on inflation, which touched off rallies in the stock and bond markets. The Dow climbed 111.85 points Thursday and a further 83.70 points Friday to close at 9,147.07.

A Labor Department report suggested that wage inflation was not much of a problem despite a tight labor market. The

employment cost index rose a mere 0.7 percent in the first quarter, more slowly than in the previous quarter and far less than economists had anticipated.

The Federal Reserve was probably as surprised by the economy's strength as were private forecasters. And the central bank, like private forecasters, still expects the economy to shift into lower gear on its own over the next few months. The annual growth rate has been over 3 percent for six consecutive quarters, well over the 2.4 percent rate that the Clinton administration considers the long-run historical norm. The question is how and when will it slow.

Many forecasters expect the Asian crisis to do that job, and falling exports and rising imports did trim \$41 billion from the gross domestic product in the first quarter. But a burst of domestic spending more than offset the drag from the widening trade deficit.

"If we don't slow down in the second quarter, watch out," said William Dudley, chief economist at Goldman, Sachs & Co. "The Fed will have to tighten, and they'll do it more than we think."

While the economy's growth was led by exports earlier in this expansion, strong domestic demand is fueling it now. Consumer spending was remarkably strong last quarter, rising at a 5.7 percent annual rate, the fastest pace in six years. Spending on cars, appliances and home furnishings jumped at a 20 percent rate.

Consumers are in remarkably good financial shape, one reason that they are expressing greater confidence than ever. Household net worth has swelled by some \$1 trillion in just the past three months as the stock market has climbed. Total wage and salary income for all Americans is 7 percent higher than a year ago, whereas prices are up just 1.5 percent.

Exports, however, declined at a \$9 billion annual rate, a direct effect of the troubles in Asia. With factory utilization high and unemployment low, strong domestic demand was bound to pull in a wave of imports, which grew at a strong 11.6 percent annual rate.

Computer Companies Demand Timely Release of Windows 98

By Elizabeth Corcoran
and Rajiv Chandrasekaran
Washington Post Service

WASHINGTON — Top executives of 26 computer-industry companies have sent a joint letter to the Justice Department urging it not to delay or block the scheduled June 25 release of Microsoft Corp.'s Windows 98 software. Microsoft helped circulate the letter for signatures, the company said.

"The direct effect on the U.S. economy of a delay to Windows 98 would be considerable," the executives wrote. "Consumers, deprived of the right to buy the latest innovative PC operating system — and therefore the reason to buy new devices and software that work with it — would keep their cash in their pocketbooks." The letter was signed by some of the best-known chief executives in the industry, including Michael Dell of Dell Computer Corp., Andrew Grove of Intel Corp. and Eckhard Pfeiffer of Compaq Computer Corp.

Government investigators looking into Microsoft's market power said Thursday that some industry executives had called them expressing concern that Microsoft was trying to strong-arm them into signing the letter. "Microsoft is going out to witnesses who are crucial to the inquiry and saying, 'Please will you sign this letter,'" a government source said.

Mark Murray, a Microsoft spokesman, denied that the software company had encouraged executives to sign the letter. He said Microsoft did not write it, but simply acted as a "clearinghouse" for the document.

An industry executive who asked not to be named acknowledged that his

company had discussed the letter with Microsoft before signing it, but said the software giant had not coerced his company into participating.

In the letter, the executives said they were not expressing an opinion "on the merits of any investigation of Microsoft." The Microsoft case has provoked much controversy through the high-technology industry. Even within some of the companies represented in the letter, there are people who have privately expressed support for antitrust action against the software company.

Critics contend that as the dominant supplier of basic operating-system software for personal computers, Microsoft has too much power in the industry. The release of a new operating system normally marks the first sale of numerous related products, such as programs designed to work with it. The release also can bring a surge in computer sales.

Industry executives have contrasting views of how problematic a delay in the release of Windows 98 might be. "No one wants to see Justice take an action that will cause consumers to refrain from buying," said Ken Wasch, a Microsoft critic who is president of the trade group Software Publishers Association. But he added: "I see no evidence that a delay in the shipment of Windows 98 would freeze the market for hardware or software."

To Our Readers
Because of technical problems at the source, all U.S. stock and international futures tables reflect 2 P.M. prices. We regret the inconvenience.

Hong Kong Jails 24 in New Piracy Raid

By Philip Segal
International Herald Tribune

HONG KONG — Just days after making the largest-ever seizure of pirated software and equipment in Hong Kong, the authorities here said Friday that they had arrested 24 more people and seized 2.2 million pirated compact disks and production equipment worth \$15 million in fresh raids.

The government also said it was considering making the purchase or use of pirated goods a criminal offense.

The new raids came after an operation Sunday in which the police seized 8 million illegal video compact disks, and sophisticated manufacturing equipment worth \$83.5 million. At that time they made 18 arrests, including that of a customs official alleged to have taken bribes from a piracy ring.

The easy availability in Hong Kong of bootleg video and music cassettes and disks, computer software and other illegal intellectual property has often proven embarrassing for the government, which portrays the territory as a bastion of law and order.

In April, Hong Kong adopted a tough new law against piracy and doubled the number of customs investigators devoted to tracking down counterfeit goods. The

Trade and Industry Bureau is considering making the purchase or use of pirated compact disks a criminal offense.

Copyright piracy damages Hong Kong's international reputation, and buying pirated CDs is "an immoral action," said Chau Tak-hay, the secretary for trade and industry. Until this week, buying pirated software in Hong Kong was child's play: Well-known shopping malls full of illegal goods operated with only the mildest of police interference. When Microsoft introduced its Windows 95 software system three years ago, Hong Kong newspapers were full of articles showing how easy it was to buy pirated versions of the program even before its official introduction.

The latest crackdown follows one in 1996 that led to Hong Kong's removal from a U.S. government list of countries and territories considered to offer inadequate protection to intellectual property rights. In the first 10 months of that year, after a group of software companies initiated lawsuits against 41 alleged software pirates, the government arrested more than 1,000 people and seized nearly 500,000 compact disks, videotapes and CD-ROMs valued at more than \$3.4 million.

Hong Kong was returned to the list last year, and a decision on whether it

would be elevated to a priority watch list — a closer step toward trade sanctions — is due this week.

An elevation to the priority list would prove highly embarrassing, especially considering the progress that China is said to have made in stamping out pirated software.

As the price of equipment to make audio and video compact disks falls, the temptation to risk arrest increases because of the profits to be made in pirating music and software. The organization representing the world's major record companies, the International Federation of the Phonographic Industry, estimates that one-third of all music products are illegally produced.

Taipei Strengthens Controls

Facing the threat of U.S. trade sanctions, Taiwan is intensifying export controls against pirated goods. The Associated Press reported from Taipei.

Companies found to have violated patent and copyright laws will be banned from investing abroad, said Tsai Lien-sheng, executive secretary of the cabinet's Investment Commission. A customs service spokesman, Raymond Cheng, said customs procedures would be centralized and simplified to make it easier to detect counterfeit items.

CURRENCY & INTEREST RATES

April 30 - May 1									
Cross Rates					Libor-Libor Rates				
	£	DM	FF	¥	1-M	3-M	6-M	9-M	12-M
Australian	1.39	1.33	1.29	1.08	1.00	1.00	1.00	1.00	1.00
Belgium	36.36	36.36	36.36	36.36	1.00	1.00	1.00	1.00	1.00
Canada	0.71	0.71	0.71	0.71	1.00	1.00	1.00	1.00	1.00
France	6.55	6.55	6.55	6.55	1.00	1.00	1.00	1.00	1.00
Germany	1.93	1.93	1.93	1.93	1.00	1.00	1.00	1.00	1.00
Italy	1.93	1.93	1.93	1.93	1.00	1.00	1.00	1.00	1.00
Japan	163.64	163.64	163.64	163.64	1.00	1.00	1.00	1.00	1.00
Netherlands	2.20	2.20	2.20	2.20	1.00	1.00	1.00	1.00	1.00
Spain	166.37	166.37	166.37	166.37	1.00	1.00	1.00	1.00	1.00
Sweden	8.46	8.46	8.46	8.46	1.00	1.00	1.00	1.00	1.00
Switzerland	1.73	1.73	1.73	1.73	1.00	1.00	1.00	1.00	1.00
UK	0.69	0.69	0.69	0.69	1.00	1.00	1.00	1.00	1.00
US	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
Other Dollar Values									
Australia	0.69	0.69	0.69	0.69					
Canada	0.71	0.71	0.71	0.71					
France	6.55	6.55	6.55	6.55					
Germany	1.93	1.93	1.93	1.93					
Italy	1.93	1.93	1.93	1.93					
Japan	163.64	163.64	163.64	163.64					
Netherlands	2.20	2.20	2.20	2.20					
Spain	166.37	166.37	166.37	166.37					
Sweden	8.46	8.46	8.46	8.46					
Switzerland	1.73	1.73	1.73	1.73					
UK	0.69	0.69	0.69	0.69					
US	0.75	0.75	0.75	0.75					
Forward Rates									
30-day	1.66	1.66	1.66	1.66					
60-day	1.66	1.66	1.66	1.66					
90-day	1.66	1.66	1.66	1.66					
180-day	1.66	1.66	1.66	1.66					
360-day	1.66	1.66	1.66	1.66					

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It appears that the euro has united Europe after all.

To find out how IBM can help, visit our euro website at www.ibm.com/euro

IBM

EUROPE

Standoff
Over Credit
Lyonnais

Agence France-Presse
BRUSSELS — The French government has rejected the European Commission's proposals for rescuing the banking company Credit Lyonnais, European sources said Friday.

The commission, the executive agency of the European Union, has said France must agree to its terms for a new aid package this weekend or it will refuse to allow Paris to inject any more state funds into the bank, a move that could lead to the company's bankruptcy.

But the sources said Finance Minister Dominique Strauss-Kahn of France, in a letter to the commission April 24, rejected the commission's estimate that Lyonnais needs 145 billion to 190 billion French francs (\$24 billion to \$31.6 billion) in state aid to stay afloat.

Such an estimate implied that tough measures would have to be taken that could threaten the bank's viability, according to the sources, who estimated the necessary aid at 80 billion francs.

The European Commission's proposals include a restructuring to rid the company of assets worldwide valued at some 600 billion francs, reducing its French activities by 22.5 percent and the privatization of the bank, something a previous French government agreed in 1993 to do by 1998 in exchange for 45 billion francs in aid.

The president of the European Commission, Jacques Santer, said Friday that the opposing sides "should be able to find a solution that will be in the interests of Credit Lyonnais" despite the deep difference between Paris and Brussels.

U.K. Manufacturing Sector Shrinks

Bloomberg News
LONDON — Britain's manufacturing sector shrank for the first time in almost two years in April as the strong pound took a heavy toll, according to a survey released Friday.

The Chartered Institute of Purchasing and Supply's report on business said its purchasing managers index dropped to 49.5 last month from 52.2 in March. Any reading below 50 denotes a contraction, and this was the first since May 1996.

Separately, the Bank of England reported that net consumer borrowing rose by £1.43 billion (\$2.39 billion) in March, the highest figure since it began keeping the records in 1993.

The gloomy prognosis from the purchasing managers' report capped a bearish week for British industry.

On Tuesday, official figures showed that Britain's overall trade deficit widened sharply in February, to £2.2 billion, while the Confederation of British Industry said business confidence about exports had slumped to an 18-year low.

The Chartered Institute said the cause of the slump was the pound, which has risen by about 25 percent since mid-1996 in spite of a recent wobble.

As it has climbed, the pound has pushed export prices higher. Britain's manufacturers may account for less than a quarter of the economy, but they sell well over half their output abroad and now are perilously close to the edge of recession.

French Unemployment Rate Falls to 12%

Reuters

PARIS — Unemployment in France fell in March for the sixth time in seven months, giving the latest sign of the economy's health and setting the stage for further declines, according to government officials.

The Labor Ministry said Thursday that the number of people unemployed in France dropped by 37,000, to 2,989,800 in March, cutting the unemployment rate to 12 percent from 12.1 percent in February and marking the first time since January 1996 that fewer than 3 million people

were registered as unemployed.

"This is a very good figure; we have gone below the 3 million mark," said Finance Minister Dominique Strauss-Kahn. "It shows that growth is back."

Economists said the drop in French unemployment was mostly the result of stronger economic growth, but they said that part of it could be attributed to more flexibility in the labor market.

"This is due to the economic rebound, but we can also remark that this is evidence the labor market is

more flexible than it used to be,"

said Stephane Deo, economist with Goldman Sachs in Paris. "With the same growth, the economy creates more jobs."

French employers were relying more on part-time or temporary hires to circumvent restrictive labor legislation, Mr. Deo said. Philippe Brossard, head of research at ABN-AMRO in Paris, said the employment growth would be "a favorable factor for household purchasing power and could lead people to lower their savings, which remain relatively high."

High-End Strategy Raises Profit at Unilever

Compiled by Our Staff From Dispatches

LONDON — Unilever NV said Friday its pretax profit in pounds was up 56 percent in the first quarter, beating expectations, as the British-Dutch consumer-products conglomerate focused on premium brands.

Pretax profit in the quarter reached £754 million (\$1.26 billion), compared with £482 million in the year-earlier period. In Dutch currency terms, net profit was 1.44 billion guilders (\$712.3 million), com-

pared with 398 million guilders a year earlier. Sales slipped 1 percent, to £7.07 billion from £7.18 billion.

"We have seen a good margin increase across the board," a spokesman said. "Europe has continued to make a strong contribution to the improved results, and profits have recovered in North America."

Eighteen months ago, Unilever started shedding lower-return assets and broadening market share in high-margin food and consumer-goods

markets to better compete with rivals such as Nestle S.A. Unilever attributed the earnings rise to restructuring in Europe and North America plus a gain in commodity prices that lifted its Asian and Pacific operations.

The company said results had been skewed by a change in accounting methods that made this first quarter six days longer than the 1997 period. That gain will be offset in the fourth quarter, the company said. (AP, AFP, Bloomberg)

Cendant Buys
2d Road-Aid
Service in
Push in U.K.

Compiled by Our Staff From Dispatches

LONDON — Cendant Corp. extended its push into Britain by agreeing Friday to pay £450 million (\$752 million) in cash for RAC Motoring Services Ltd., the No. 2 British roadside assistance service.

The purchase of RAC Motoring Services, part of the Royal Automobile Club that also governs British auto sports, follows Cendant's \$1.34 billion acquisition this week of the parent of Green Flag, the third-largest provider of roadside help with 3.5 million members.

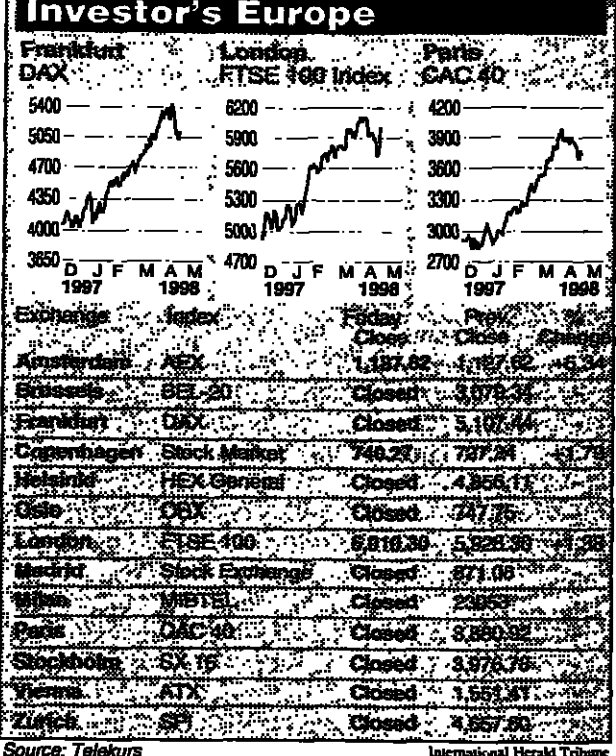
The RAC deal indicates that Cendant, a direct marketing and franchising company, is not straying from its rapid pace of acquisitions. The Connecticut company said this month that it had discovered "potential accounting irregularities" in its financial statements, a disclosure that battered its stock and caused some jitters among investors who were enticed by its rapid growth.

But the cash purchase was a departure. Cendant is less able to buy companies with its own stock, its favored method, after its share price dropped 46 percent April 16. Cendant shares were down 68.75 cents at \$24.375 in late New York trading.

With 9.1 million members combined, Cendant's British roadside-aid companies become a more formidable rival to the Automobile Association, which has 9.5 million members, and give Cendant more customers for "cross-selling" of other products it owns, from Avis rental cars to Howard Johnson hotels.

The purchase must be approved by at least 75 percent of the 12,000 voting members of the Royal Automobile Club. (Bloomberg, AP)

Investor's Europe



Very briefly:

- Cable & Wireless PLC, one of Britain's largest telecommunications companies, is selling its 20 percent stake in Bouygues Telecom SA to Telecom Italia SpA for £456 million (\$761.7 million). C&W said the sale would result in a profit of about £400 million.
- EMI Group PLC, a British music company, said it had been approached by a potential buyer. Industry sources said Seagram Co. and Walt Disney Co. had made overtures.
- British Aerospace PLC will buy a 35 percent stake in Saab AB of Sweden for £269 million. Saab is currently owned by the investment company Investor AB, which represents the Wallenberg family interest in many companies.
- Russia's gross domestic product was unchanged in the first quarter, the government reported, as the Asian crisis sparked an outflow of capital and sent interest rates higher. The economy grew 0.8 percent in 1997, and the government forecasts growth of 1 percent to 2 percent this year.
- BAT Industries PLC's pretax profit fell 2 percent in the first quarter, to £573 million, in spite of a gain of £46 million from the sale last year of First Federal Savings & Loan Association. (Bloomberg, Reuters, AP, AFP)

CHURCH: Reverend Moon's Group Looks North

Continued from Page 9

outlook since President Kim Dae Jung took office in February.

Mr. Pak angered South Korea by attending the funeral of Kim Il Sung and meeting with his son, Kim Jong Il.

Threatened with arrest under South Korea's national security law for unauthorized contact with the North, he did not return to Seoul from his residences in Tokyo and Washington until about a year ago, after receiving assurances that he would not have to face charges.

North Korea is playing host to the group — its first invitation to a private South Korean cultural group — despite the failure April 18 of talks at the vice-ministerial level between negotiators from North and South Korea in Beijing. In a sign of the significance they attach to the mission, South Korean officials are permitting live broadcasts of the Little Angels' three Pyongyang concerts on at least one South Korean radio station.

Officials said more than 30 South Korean firms had applied to do business in the North,

and they said the government was likely to accept virtually any application that did not compromise security interests.

Daewoo Corp. so far is the only South Korean company with factories in the North. Its chairman, Kim Woo Chong, invested \$5 million in 1996 in factories for making shirts, blouses, jackets and golf bags in the North Korean port city of Nampo. The results have been mixed.

"Our production is now low," said Kim Sang Ouk, general manager of Daewoo's operation in the North. "We think in another two years, productivity will be the level of our target. Now we have to wait."

The main problem, he said, was the lack of experience of North Korean workers. "We have to guide them on every order, every style," he said.

Reasons for reluctance among South Korean companies to go to the North range from the low skill levels of North Korean workers to bureaucratic problems to difficulties in obtaining credit from banks in South Korea for such high-risk ventures in view of the South's own economic problems.

WORLD STOCK MARKETS

Friday, May 1

Prices in local currencies.

High Low Close Prev.

Amsterdam

ASEX index: 1187.22

Previous: 1177.42

ABN-AMRO 32.30 32.30 32.30 32.30

Alcatel 27.10 27.10 27.10 27.10

Alstom 44.00 44.00 44.00 44.00

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The Trib Index

Prices as of 3:00 P.M. New York time.

Jan. 1, 1992 = 100

Level Change % change year to date % change

World Index 197.76 +1.53 +0.78 +14.90

Regional Indexes

Asia/Pacific 92.66 -0.10 -0.11 -3.55

Europe 235.40 +3.67 +1.58 +21.94

N. America 247.09 +0.31 +0.13 +14.40

S. America 152.39 -0.14 -0.09 -0.18

Industrial Indexes

Capital goods 248.44 -0.06 -0.02 +20.27

Consumer goods 227.83 +0.58 +0.26 +8.53

Energy 221.94 +3.27 +2.43 +13.84

Finance 145.40 +1.54 +1.07 +19.25

Foodstuffs 174.83 +1.86 +1.09 +16.65

Raw Materials 202.85 +2.46 +1.23 +21.29

Services 203.57 +1.91 +0.95 +16.96

Utilities 177.71 +0.39 +0.22 +6.50

The International Herald Tribune World Stock Index tracks the U.S. dollar value of 280 internationally accessible stocks from 25 countries. For more information, a free booklet is available by writing to The Trib Index, 191 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France. Compiled by Bloomberg News.

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Friday's 2 P.M.

The 2,600 most traded stocks of the day.
 Intraday prices not reflecting late trades elsewhere.
 The Associated Press

[illegible]

12 Month	High	Low	Stock	Div Yld	P/E	10 Day	High	Low	Latest	Change
1994	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
1995	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
1996	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
1997	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
1998	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
1999	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2000	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2001	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2002	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2003	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2004	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2005	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2006	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2007	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2008	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2009	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2010	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2011	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2012	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2013	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2014	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2015	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2016	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2017	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2018	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2019	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2020	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2021	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2022	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2023	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2024	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2025	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00
2026	12.00	11.00	100	1.00	10.00	10.00	10.00	10.00	10.00	0.00

[illegible]

12 Month	High	Low	Stock	Div	Yld	PE	Ratio	High	Low	Latest	Change
1994	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1995	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1996	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1997	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1998	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1999	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2000	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2001	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2002	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2003	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2004	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2005	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2006	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2007	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2008	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2009	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2010	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2011	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2012	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2013	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2014	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2015	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2016	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2017	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2018	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2019	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2020	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2021	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2022	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2023	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2024	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2025	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2026	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2027	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00

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sapphire crystal case back.

with chronometer certificate.

ional warranty.

12 Month	High	Low	Stock	Div	Yld	PE	Ratio	High	Low	Latest	Change
1994	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1995	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1996	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1997	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1998	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1999	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2000	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2001	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2002	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2003	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2004	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2005	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2006	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2007	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2008	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2009	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2010	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2011	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2012	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2013	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2014	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2015	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2016	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2017	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2018	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2019	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2020	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2021	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2022	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2023	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2024	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2025	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2026	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2027	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00

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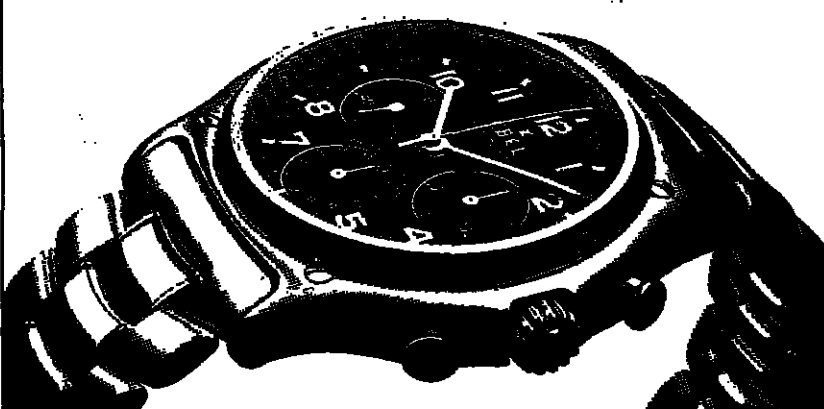
ional warranty.

12 Month	High	Low	Stock	Div	Yld	PE	Ratio	High	Low	Latest	Change
1994	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1995	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1996	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1997	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1998	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
1999	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2000	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2001	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2002	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2003	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2004	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2005	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2006	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2007	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2008	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2009	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2010	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2011	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2012	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2013	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2014	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2015	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2016	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2017	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2018	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2019	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2020	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2021	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2022	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2023	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2024	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2025	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2026	100.00	98.00	100	0.00	0.00	0.00	0.00	100.00	98.00	99.00	+1.00
2027</											

[illegible]

Year	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030																																																																																																				
Population	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000	1,250,000	1,300,000	1,350,000	1,400,000	1,450,000	1,500,000	1,550,000	1,600,000	1,650,000	1,700,000	1,750,000	1,800,000	1,850,000	1,900,000	1,950,000	2,000,000	2,050,000	2,100,000	2,150,000	2,200,000	2,250,000	2,300,000	2,350,000	2,400,000	2,450,000	2,500,000	2,550,000	2,600,000	2,650,000	2,700,000	2,750,000	2,800,000	2,850,000	2,900,000	2,950,000	3,000,000	3,050,000	3,100,000	3,150,000	3,200,000	3,250,000	3,300,000	3,350,000	3,400,000	3,450,000	3,500,000	3,550,000	3,600,000	3,650,000	3,700,000	3,750,000	3,800,000	3,850,000	3,900,000	3,950,000	4,000,000	4,050,000	4,100,000	4,150,000	4,200,000	4,250,000	4,300,000	4,350,000	4,400,000	4,450,000	4,500,000	4,550,000	4,600,000	4,650,000	4,700,000	4,750,000	4,800,000	4,850,000	4,900,000	4,950,000	5,000,000	5,050,000	5,100,000	5,150,000	5,200,000	5,250,000	5,300,000	5,350,000	5,400,000	5,450,000	5,500,000	5,550,000	5,600,000	5,650,000	5,700,000	5,750,000	5,800,000	5,850,000	5,900,000	5,950,000	6,000,000	6,050,000	6,100,000	6,150,000	6,200,000	6,250,000	6,300,000	6,350,000	6,400,000	6,450,000	6,500,000	6,550,000	6,600,000	6,650,000	6,700,000	6,750,000	6,800,000	6,850,000	6,900,000	6,950,000	7,000,000	7,050,000	7,100,000	7,150,000	7,200,000	7,250,000	7,300,000	7,350,000	7,400,000	7,450,000	7,500,000	7,550,000	7,600,000	7,650,000	7,700,000	7,750,000	7,800,000	7,850,000	7,900,000	7,950,000	8,000,000	8,050,000	8,100,000	8,150,000	8,200,000	8,250,000	8,300,000	8,350,000	8,400,000	8,450,000	8,500,000	8,550,000	8,600,000	8,650,000	8,700,000	8,750,000	8,800,000	8,850,000	8,900,000	8,950,000	9,000,000	9,050,000	9,100,000	9,150,000	9,200,000	9,250,000	9,300,000	9,350,000	9,400,000	9,450,000	9,500,000	9,550,000	9,600,000	9,650,000	9,700,000	9,750,000	9,800,000	9,850,000	9,900,000	9,950,000	10,000,000

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"Le Modulator" in steel with sapphire crystal case back.
Automatic chronograph with chronometer certificate.
5 year international warranty.

Bank of Japan S
Spent a Record \$21.35 Bn

DAVID L. BROWN, president of the American Automobile Association, said today that the industry is "not in a position to make any statement" regarding the proposed new tax. He said the industry is "not in a position to make any statement" regarding the proposed new tax.

Asia Crisis Takes Toll on Singapore Growth

[illegible]

Prices Rise in April

[illegible][illegible][illegible]

Continued on Page 14

Tokyo Spent a Record \$21.35 Billion in April to Shore Up Currency

"Considering the amount that the BOJ intervened through our bank, the intervention was the largest in my memory," a banker said of the min-

The banker said that the cost-effectiveness of the intervention appeared poor and that there was talk it

(Reuters, AFP, Bloomberg)

• **Groupe Danone** made an agreement to acquire a strategic stake in the Asian food and beverage maker **Yeo Hiap Seng Ltd.**, officials said. The two companies also signed an agreement to assess strategic opportunities for investment in and

		Close	Close	Change
Hong Kong	Hang Seng	10,563.68	10,383.69	+1.72
Singapore	Straits Times	Closed	1,493.40	
Sydney	All Ordinaries	2,804.28	2,782.10	+21.55
Tokyo	Nikkei 225	15,601.10	15,641.20	-0.26
Kuala Lumpur	Composite	Closed	625.97	
Bangkok	SET	Closed	412.13	
Seoul	Composite Index	Closed	421.22	
Taipei	Stock Market Index	Closed	8,304.21	
Manila	PSE	Closed	2,181.32	
Jakarta	Composite Index	4,948.525	4,650.195	+2.92
Wellington	NZSE-40	2,253.29	2,256.54	-0.14
Bombay	Sensitive Index	Closed	4,806.81	

Source: Telexplus

International Remittances

● **Fuji Bank Ltd.** said it hoped to raise more than \$900 million from listing its American unit, **Heller Financial Inc.** on the New York Stock Exchange. Of Heller's 90.08 million shares outstanding, 33.5 million are to be listed, with an initial public offering price of \$27 a share.

For Asian Capital Holdings Fund
The Paying Agents

Richard Butler
Chief UN Weapons Inspector for Iraq

Take a look at some of the leading figures who've appeared on Q&A with Riz Khan in the past year. You could've discussed the plight of Tibetan monks with the Dalai Lama, exchanged views with Kofi Annan on Iraq, or even questioned Nelson Mandela about South Africa's future. Every weeknight CNN International invites you to put your questions to guests like these live on TV. Tel: +1 404 525 6888 fax: +1 404 827 4056 e-mail: cnni@turner.com
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NASDAQ

Friday's 2 P.M.
The 1,000 most traded National Market securities in terms of dollar value, updated twice a year. The Associated Press.

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
12.12	11.88	IBM	3.60	4.5	15.5	100	11.50	11.25	Microsoft	3.00	4.0	15.5	100
11.50	11.25	Microsoft	3.00	4.0	15.5	100	11.50	11.25	IBM	3.60	4.5	15.5	100
11.25	11.00	IBM	3.60	4.5	15.5	100	11.25	11.00	Microsoft	3.00	4.0	15.5	100
11.00	10.75	Microsoft	3.00	4.0	15.5	100	11.00	10.75	IBM	3.60	4.5	15.5	100

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
10.75	10.50	IBM	3.60	4.5	15.5	100	10.75	10.50	Microsoft	3.00	4.0	15.5	100
10.50	10.25	Microsoft	3.00	4.0	15.5	100	10.50	10.25	IBM	3.60	4.5	15.5	100
10.25	10.00	IBM	3.60	4.5	15.5	100	10.25	10.00	Microsoft	3.00	4.0	15.5	100
10.00	9.75	Microsoft	3.00	4.0	15.5	100	10.00	9.75	IBM	3.60	4.5	15.5	100

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
9.75	9.50	IBM	3.60	4.5	15.5	100	9.75	9.50	Microsoft	3.00	4.0	15.5	100
9.50	9.25	Microsoft	3.00	4.0	15.5	100	9.50	9.25	IBM	3.60	4.5	15.5	100
9.25	9.00	IBM	3.60	4.5	15.5	100	9.25	9.00	Microsoft	3.00	4.0	15.5	100
9.00	8.75	Microsoft	3.00	4.0	15.5	100	9.00	8.75	IBM	3.60	4.5	15.5	100

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
8.75	8.50	IBM	3.60	4.5	15.5	100	8.75	8.50	Microsoft	3.00	4.0	15.5	100
8.50	8.25	Microsoft	3.00	4.0	15.5	100	8.50	8.25	IBM	3.60	4.5	15.5	100
8.25	8.00	IBM	3.60	4.5	15.5	100	8.25	8.00	Microsoft	3.00	4.0	15.5	100
8.00	7.75	Microsoft	3.00	4.0	15.5	100	8.00	7.75	IBM	3.60	4.5	15.5	100

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
7.75	7.50	IBM	3.60	4.5	15.5	100	7.75	7.50	Microsoft	3.00	4.0	15.5	100
7.50	7.25	Microsoft	3.00	4.0	15.5	100	7.50	7.25	IBM	3.60	4.5	15.5	100
7.25	7.00	IBM	3.60	4.5	15.5	100	7.25	7.00	Microsoft	3.00	4.0	15.5	100
7.00	6.75	Microsoft	3.00	4.0	15.5	100	7.00	6.75	IBM	3.60	4.5	15.5	100

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
6.75	6.50	IBM	3.60	4.5	15.5	100	6.75	6.50	Microsoft	3.00	4.0	15.5	100
6.50	6.25	Microsoft	3.00	4.0	15.5	100	6.50	6.25	IBM	3.60	4.5	15.5	100
6.25	6.00	IBM	3.60	4.5	15.5	100	6.25	6.00	Microsoft	3.00	4.0	15.5	100
6.00	5.75	Microsoft	3.00	4.0	15.5	100	6.00	5.75	IBM	3.60	4.5	15.5	100

NYSE
Friday's 2 P.M.
(Continued)

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
11.50	11.25	IBM	3.60	4.5	15.5	100	11.50	11.25	Microsoft	3.00	4.0	15.5	100
11.25	11.00	Microsoft	3.00	4.0	15.5	100	11.25	11.00	IBM	3.60	4.5	15.5	100
11.00	10.75	IBM	3.60	4.5	15.5	100	11.00	10.75	Microsoft	3.00	4.0	15.5	100
10.75	10.50	Microsoft	3.00	4.0	15.5	100	10.75	10.50	IBM	3.60	4.5	15.5	100

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
10.50	10.25	IBM	3.60	4.5	15.5	100	10.50	10.25	Microsoft	3.00	4.0	15.5	100
10.25	10.00	Microsoft	3.00	4.0	15.5	100	10.25	10.00	IBM	3.60	4.5	15.5	100
10.00	9.75	IBM	3.60	4.5	15.5	100	10.00	9.75	Microsoft	3.00	4.0	15.5	100
9.75	9.50	Microsoft	3.00	4.0	15.5	100	9.75	9.50	IBM	3.60	4.5	15.5	100

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
9.50	9.25	IBM	3.60	4.5	15.5	100	9.50	9.25	Microsoft	3.00	4.0	15.5	100
9.25	9.00	Microsoft	3.00	4.0	15.5	100	9.25	9.00	IBM	3.60	4.5	15.5	100
9.00	8.75	IBM	3.60	4.5	15.5	100	9.00	8.75	Microsoft	3.00	4.0	15.5	100
8.75	8.50	Microsoft	3.00	4.0	15.5	100	8.75	8.50	IBM	3.60	4.5	15.5	100

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
8.50	8.25	IBM	3.60	4.5	15.5	100	8.50	8.25	Microsoft	3.00	4.0	15.5	100
8.25	8.00	Microsoft	3.00	4.0	15.5	100	8.25	8.00	IBM	3.60	4.5	15.5	100
8.00	7.75	IBM	3.60	4.5	15.5	100	8.00	7.75	Microsoft	3.00	4.0	15.5	100
7.75	7.50	Microsoft	3.00	4.0	15.5	100	7.75	7.50	IBM	3.60	4.5	15.5	100

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
7.50	7.25	IBM	3.60	4.5	15.5	100	7.50	7.25	Microsoft	3.00	4.0	15.5	100
7.25	7.00	Microsoft	3.00	4.0	15.5	100	7.25	7.00	IBM	3.60	4.5	15.5	100
7.00	6.75	IBM	3.60	4.5	15.5	100	7.00	6.75	Microsoft	3.00	4.0	15.5	100
6.75	6.50	Microsoft	3.00	4.0	15.5	100	6.75	6.50	IBM	3.60	4.5	15.5	100

High	Low	Stock	Div	Yld	PE	100s	High	Low	Stock	Div	Yld	PE	100s
6.50	6.25	IBM	3.60	4.5	15.5	100	6.50	6.25	Microsoft	3.00	4.0	15.5	100
6.25	6.00	Microsoft	3.00	4.0	15.5	100	6.25	6.00	IBM	3.60	4.5	15.5	100
6.00	5.75	IBM	3.60	4.5	15.5	100	6.00	5.75	Microsoft	3.00	4.0	15.5	100
5.75	5.50	Microsoft	3.00	4.0	15.5	100	5.75	5.50	IBM	3.60	4.5	15.5	100

Quarterly Scoreboard A

Europe and the Euro



1951
Six countries create the European Coal and Steel Community, first proposed by the French foreign minister, Robert Schuman, above.



1957
Treaty of Rome between France, Germany, Italy and the Benelux countries establishes the European Economic Community, and the atomic energy body, Euratom.



1973
Britain, Ireland and Denmark join the EEC. Norwegian voters reject membership.



1981
Greece admitted to the EEC.



1986
The signing of the Single European Act establishes the goal of a single market in Europe by the end of 1992. Spain and Portugal enter the community.



1992
The Maastricht treaty introduces European citizenship, the goal of Economic and Monetary Union (EMU) and a central bank.



1995
The European Union, rechristened at Maastricht, adds Austria, Sweden and Finland, bringing EU membership to fifteen.



May 2, 1998
Designation of initial participants in the euro, fixing of inter-European exchange rates, choice of central bank chief.

Single Currency Marks Triumph of Political Will

But Public's Enthusiasm Is Muted by Jobs Crisis

By John Vinocur

PARIS — The coming of European monetary union is a triumph of political will and a technical feat of remarkable ingenuity. It also involves an act of economic abstinence on an almost biblical scale — and there is the on-going rub.

As much genius and inspired political stubbornness as it has taken to get the single currency off the ground, no one has found the uplifting formula to turn the event into a source of enthusiasm and palpable prospects for millions of Europeans.

The reason is that preparing for the euro has meant no visible gain in creating new jobs. However great the accomplishment, no practical link exists in public opinion between the arrival of Economic and Monetary Union and a new prosperity glowing just around the corner from the debris of Europe's 18 million unemployed. The hard fact is that in Germany, France and Italy, the abstinence needed to create low inflation, diminished debt, and reasonable deficits for EMU, has not been paired so far with the labor market liberalization and more flexible social protection rules

that are described by the International Monetary Fund or the Bundesbank as the wedge that could break the cycle of Europe's joblessness.

In reality, the euro's run-up is associated in working people's minds throughout Continental Europe with hard economic times, a period when jobs died, and when the economic austerity required to meet the euro's qualifying standards — mortification rather than abstinence, in many cases — became a justification for misery.

Since the Stability and Growth Pact that enforces abstinence remains in perpetual effect beyond the creation of the single currency, and since the loosening of the labor market continues mostly as a subject of debate or imprecise statements of intention in Continental Europe, all the signs of European growth now evident, and all the advantages of having a single money from Portugal to the border with Poland, don't automatically signal the birth of a new era of confidence.

There are no standing ovals for the euro in the streets of Leverkusen or St. Etienne, where everyone knows that the unemployment rate in Germany and France was over 12 percent in March. Instead, Europe's achievement in moving forward with a epochal project for the

future can be described as being undercut by a lack of an emotional or practical link to the daily lives of its citizens.

According to Le Figaro, Jack Lang, the Socialist chairman of the French National Assembly's foreign affairs committee, has gone as far as describing Europe's circumstances as "gray, toneless, and boring."

Indeed, even on the level of rhetoric, the community comes up short in not having a leader who can create a sense of promise and possibility beyond the discomfort of many of the enterprise's details.

In spite of his victory in Northern Ireland, Tony Blair, as prime minister of a Britain that has still not made up its mind on its commitment to Europe, does not have enough legitimacy as a European to fill the project with optimistic human content. President Jacques Chirac of France must deal with the contradiction of having been disavowed in a legislative election he called himself, and having his government follow economic policies he cannot endorse.

Chancellor Helmut Kohl, the great motor of EMU's development, is confronted by the failure of his own grand

Continued on Page 20

Countdown Starts for New Money

By Barry James

RUSSELS — A decades-long vision becomes reality Saturday with the formal nomination of 11 countries to join Europe's monetary union embracing 290 million Europeans in a single market with the same money, the euro.

At a summit meeting in Brussels, leaders will set in motion a complex industrial, legal, and public relations process to conjure the new money into being on Jan. 1.

It will take three years after that to manufacture and distribute euro notes and coins, in what amounts to the biggest product launch in history.

Central banks and mints in the 11 nations — Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain — will put 70 billion euros into circulation and pool another 50 billion euros in the reserves of the European Central Bank to make the new money impregnable against speculators. Governments will have to print 12 billion banknotes in seven denominations ranging from one to 500 euros, and 76 billion coins in denominations from one cent to two euros.

Even before the currency goes into circulation in 2002, ordinary citizens will be able to use the euro from Jan. 1, 1999, in all scriptural transactions. That includes writing checks, using credit and charge cards, buying stocks and bonds and, in some countries, paying taxes. The total cost of introducing the euro is estimated at 1 to 1.5 percent of the 11 nations' gross domestic product, of which three quarters will be borne by industry, one quarter by banks and one quarter by governments and central banks, including the cost of producing

new notes and coins. Once the currency is in place, savings on transaction costs will amount to about 0.25 percent of GDP, in addition to efficiency gains, according to an estimate by the ABN-AMRO bank in the Netherlands.

The European Commission, the executive body of the European Union, estimates that maintaining parallel sets of national currencies costs the European Union one percent of GDP each year. In addition, it says that exchange rate uncertainty, which will be eliminated by the single currency, has had a significant and unquantifiable indirect cost because it has discouraged companies from pursuing trading and investment opportunities.

The GDP for the 11 countries in the euro zone — Germany, France, Italy, Belgium, the Netherlands, Luxembourg, Austria, Finland, Ireland, Spain and Portugal — was \$6.8 trillion in 1995. Germany's GDP was the largest with \$2.41 trillion, followed by France with \$1.54 trillion, and Italy with \$1.09 trillion.

Central banks in each country have the responsibility to protect the new currency against counterfeiting and theft. For security reasons, governments are not divulging details on how they intend to transport and store the cash.

Several countries, however, reportedly are considering plans to store the money on tightly guarded military bases and deliver them to tens of thousands of banks and retailers on the backs of army trucks in the days leading up to start of business in January 2002.

The huge hydraulic presses at the French mint in Pessac are ready to start churning out the new coins as soon as France's participation in the currency zone is officially confirmed. The mint has already stopped production of franc

Continued on Page 23

Jan. 1, 1999

Eleven countries — Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Portugal and Spain — adopt the euro. Banks and stock exchanges begin using euros.



Jan. 1, 2002

Euro coins and bank notes become legal tender. Local currencies will no longer be accepted after July 1, 2002.

INSIDE

- Experts cautious on economic growth without structural changes. Page 20
- What is the worst-case scenario facing the euro? Page 20
- For the European Central Bank, a question of credibility. Page 21
- Governments will begin a media blitz to sell the euro to the public. Page 21
- Officials move to lock the euro in place. Page 21
- Historically speaking, the currency union has come far very fast. Page 22
- Companies have been slow to get ready. Page 22
- Eleven different tax systems could be problematic. Page 23

Does your software know that the Euro is coming?



The advent of the Euro will cause headaches in many companies. Currency conversion and exchange rates may prove to be too much for some applications and work flows in accounting. You therefore need a powerful solution that will prepare you for tomorrow.

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Will Consumers Win and Workers Lose?

Prices Are Likely to Go Down, but Unions Fear Wages Will Fall Too

By Tom Buerkle

LONDON — Touted as the culmination of Europe's common market, the single currency promises to do more to encourage competition across European borders than any piece of single-market legislation. But the question of who will benefit — consumers or producers, workers or their corporate bosses — is a politically loaded question.

From Lisbon to Helsinki, Stuttgart to Turin, monetary union will allow consumers to compare directly the prices of everything from automobiles to aspirin as national currencies vanish and everyone buys and sells in euro. With prices of virtually identical goods often varying today by 20 to 30 percent or more between EU countries, most analysts expect consumers to reap benefits as prices converge toward the lower levels, especially for big-ticket items like cars or appliances.

"The trend is going to be, on average, toward a lower level," said Vicky Pryce, chief economist at KPMG Management Consultants. "Some companies will no longer be profitable."

In the job market, the situation is far from clear. Many employers say they expect the effect of the euro will be to boost wages on average toward the higher levels prevailing in Europe. But unions fear the euro will be a powerful tool for business at a time of double-digit unemployment, enabling management to threaten to steer jobs and investment to low-wage areas unless their

better-paid workers make concessions.

"Single market, single money, single wage," said Peter Coldrick, an economist for the European Trades Union Confederation. "It's not going to be that simple, but the pressure is going to be in that direction."

The greater transparency in wages "will not make it easy for our unions to negotiate increases," said Bernadette Tesch, who heads the Brussels office of Eurofief, the federation of European unions covering banking, insurance and other service industries.

From 1985 to 1993, the variation in the price of nearly identical consumer goods between high- and low-cost EU countries declined to just under 20 percent on average from 27 percent, while the variation in prices of similar services declined to 28 percent from 35 percent, according to the European Commission, the EU executive body.

John Sharpe, head of household and personal care products at Unilever, said the company had seen stagnant or falling prices for laundry detergent and other products in hard-currency countries like Germany, Austria and Belgium in recent years, trends that were only partly offset by rises in Spain, Italy and Britain. "The markets we compete in are very competitive," Mr. Sharpe said. "There's very little room to put margins up."

Still, many sharp differences persist. Translated into European currency units, today's prototype of the euro, a McDonald's Big Mac costs 1.85 Ecus in Greece, 2.55 Ecus in Germany and 3.50 Ecus in Denmark. Cellular telephone charges for low-volume consumers in

Germany and Greece are more than five times higher than the 0.50 Ecu charged in Finland, Europe's low-cost market. Prices of most automobiles vary by more than 20 percent across the EU.

Mindful of the gaps, EU finance ministers agreed in March to monitor the prices of a range of goods and services in a bid to pressure industry for more uniform, and lower, prices. "If competition is really working, you should have a convergence toward the lowest price levels," said Betty Olivi, a spokeswoman for the EU single market commissioner, Mario Monti.

Several factors could mitigate that tendency, though. Package sizes and product preferences vary from country to country. In pharmaceuticals, for instance, national regulations on pricing and reimbursement by socialized health systems result in identical drugs being sold in different package sizes and at different prices.

"We don't think there's going to be a complete upheaval in the pricing system," said Alex Ferguson, finance director at Zambon Group, an Italian drug maker. "Companies themselves will have an interest to maintain price differentials." And for many inexpensive consumer goods, prices could edge up through rounding. The Big Mac that retails in Brussels for 109 Belgian francs (about \$3) would convert to 2.76 euros at the most likely conversion rate, but as McDonald's rounds most of its prices in Europe, that could become 2.75 or 2.80. The restaurant chain hasn't adopted a

Continued on Page 20

Are you sure you know the world's top fifty banks*?

1. **HSBC Holdings.**
London, United Kingdom.

2. **Sanwa Bank.**
Osaka, Japan.

3. **Crédit Suisse Group.**
Zürich, Switzerland.

4. **Lloyds TSB Group.**
London, United Kingdom.

5. **First Union Corp.**
Charlotte, USA.

6. **Bank of Tokyo - Mitsubishi.**
Tokyo, Japan.

7. **Sakura Bank.**
Tokyo, Japan.

8. **JP Morgan & Co.**
New York, USA.

9. **Long-Term Credit Bank Of Japan.**
Tokyo, Japan.

10. **Crédit Lyonnais.**
Paris, France.

11. **Crédit Agricole.**
Paris, France.

12. **Bank of China.**
Beijing, China.

13. **Rabobank Nederland.**
Utrecht, Netherlands.

14. **Tokai Bank.**
Nagoya, Japan.

15. **ING Bank.**
Amsterdam, Netherlands.

16. **Chase Manhattan Corp.**
New York, USA.

17. **NationsBank.**
Charlotte, USA.

18. **Industrial & Commercial Bank of China.**
Beijing, China.

19. **Westdeutsche Landesbank Girozentrale.**
Düsseldorf, Germany.

20. **Abbey National.**
London, United Kingdom.

21. **Citicorp.**
New York, USA.

22. **Deutsche Bank.**
Frankfurt, Germany.

23. **BankAmerica Corp.**
San Francisco, USA.

24. **ABN AMRO Bank.**
Amsterdam, Netherlands.

25. **Sumitomo Bank.**
Osaka, Japan.

26. **Union Bank of Switzerland.**
Zürich, Switzerland.

27. **Fuji Bank.**
Tokyo, Japan.

28. **Dai-ichi Kangyo Bank.**
Tokyo, Japan.

29. **Barclays Bank.**
London, United Kingdom.

30. **Industrial Bank of Japan.**
Tokyo, Japan.

31. **Groupe Caisse d'Epargne.**
Paris, France.

32. **National Westminster Bank.**
London, United Kingdom.

33. **Banque Nationale de Paris.**
Paris, France.

34. **Compagnie Financière de Paribas.**
Paris, France.

35. **Société Générale.**
Paris, France.

36. **Swiss Bank Corp.**
Basle, Switzerland.

37. **Dresdner Bank.**
Frankfurt, Germany.

38. **First Chicago NBD Corporation.**
Chicago, USA.

39. **Commerzbank.**
Frankfurt, Germany.

40. **Banc One Corp.**
Columbus, USA.

41. **Crédit Mutuel.**
Paris, France.

42. **National Australia Bank.**
Melbourne, Australia.

43. **Asahi Bank.**
Tokyo, Japan.

44. **Cariplo.**
Milan, Italy.

45. **Dexia.**
European Union.

46. **Wells Fargo & Co.**
San Francisco, USA.

47. **Canadian Imperial Bank Of Commerce.**
Toronto, Ontario, Canada.

DEXIA

Dexia, the European banking group created by the merger of Crédit local de France and Crédit Communal de Belgique, reported total assets of 185 billion euros

at the end of 1997. Dexia is the European leader in the financing of public service facilities and is also active in commercial banking and asset management.



Crédit Communal

<http://www.Dexia.com>

EUROPE AND THE EURO / A SPECIAL REPORT

Without Structural Changes, Experts Cautious on Economic Growth

By Alan Friedman

ROME — The introduction of Europe's single currency in January 1999, despite much rhetoric about savings on cross-border transactions and other benefits, is unlikely to generate much new economic growth on its own. Nor, say many economists, will it have an immediate impact on the plight of the Continent's 18 million jobless.

But economists across the Continent agree that the euro will offer a golden opportunity for corporate efficiency gains, especially as it will be born against the backdrop of a robust and spreading European recovery which is expected to continue during 1999.

In addition, the existence of a single currency zone covering 11 nations with a population of 290 million people should also help to create a far more competitive business environment and a more vibrant capital market than Europe has seen during its fragmented past. This, in turn, could be highly beneficial in stimulating investment.

The euro, say the experts, therefore stands a reasonable chance of helping to spur additional growth in the medium term, but only if its introduction is accompanied by decisive reforms aimed at making labor markets more flexible and slashing the high taxes and bureaucratic obstacles which have held back Europe's economic potential for years.

This is a big if, because most of Continental Europe's political leaders have been unable or unwilling in recent years to push through such measures.

"The euro zone is going to enjoy a golden childhood," said Kim Schoenholtz, chief economist at Salomon Smith Barney in London. "But the real question is whether European policymakers will take advantage of the early years to make deep structural changes,

especially in the labor market. If they don't, then the EMU world will face a troubled adolescence."

The argument put forward by Mr. Schoenholtz and many other private sector economists is that by itself the euro may add a 10th or a quarter of a percentage point to European growth, which in 1999 is expected to run at a healthy 3 percent average. Eliminating transaction costs for changing currency and helping to make capital markets more efficient should provide this marginal kick.

But structural change — the code word for making hiring and firing easier, for reducing public spending on pension and other welfare state benefits, and for lowering Continental Europe's high employer contributions and social charges — is viewed as the missing ingredient which politicians still need to add if they want to nurture lasting growth and reduce unemployment.

Paul Mortimer-Lee, chief economist at the London office of Paribas, said that Europe's average 11 percent unemployment rate may level off or even come down a little bit over the next year or so, but he noted that growth itself won't be rapid enough to cut unemployment without far-reaching structural reforms. "Structural reform is what is missing in order to make monetary union work well," said Mr. Mortimer-Lee, who also warned that by planning to reduce the working week from 40 to 35 hours, both France and Italy "are going in the wrong direction."

David Roche, senior partner at economic researchers Independent Strategy, said: "There is a big difference between theory and practice. The theory is that the single currency and single market will increase competition dramatically and thus create more growth. I would say the practice will be that increased competition will squeeze European corporate profit margins and

that will result in more corporate downsizing and, initially, more unemployment."

Another problem, according to Mr. Roche, is that, unlike the single currency of the United States, Europe does not really have labor mobility. "Blue-collar people in Europe are basically immobile," he added.

Like his fellow economists, Mr. Roche noted that "the only way to get more employment is through structural reforms, and I don't see that happening because the various currencies might change and become the euro, but the politicians have not changed."

Advocates of the euro such as Yves-Thibault de Silguy, the European economic commissioner, argue that the mere existence of the euro, and of more economic policy coordination at the new European Central Bank and through the new Euro-X policy forum, will help individual governments to tackle politically unpopular welfare and workplace reforms.

The assumption is that a unified Europe under the new single currency will allow politicians to press for reforms at home just as the Maastricht treaty helped them to push for fiscal austerity in order to reduce their budget deficits.

"The euro should be a catalyst for structural reform," said Mr. de Silguy, although he noted that the reforms will be needed not just because of the euro but in particular because of the need to make companies and countries more competitive in Europe's single market and in the context of the global marketplace.

Which countries stand to gain the most from the introduction of the euro? Economists agree that it will be those nations which have traditionally had short-term interest rates far higher than the German level, which is now just 3.3 percent.

The consensus is that when the Euro-

pean Central Bank sets the first single currency zone interest rate next January it will be around 3.7 to 3.8 percent. That level will be higher than existing rates in France and Germany, the core countries in the euro zone, but below the traditional levels in countries on the periphery.

Mr. Roche said, "I think we will get very fast growth rates in Italy, Spain, Ireland and Finland, because their interest rates will come down and they will get the biggest monetary kick in history."

Already, equity markets in these countries are doing well as investors anticipate the economic benefits of lower interest rates.

But the real test of the single currency's impact on the European economy may only come years after its introduction, when some regions in the euro zone face recession.

The reason, say economists, is the Stability and Growth Pact, which Germany has insisted upon and which calls for stiff penalties on countries that exceed the Maastricht ceiling of a deficit below 3 percent of gross domestic product.

Under EMU, individual countries will no longer be able to devalue their currency or cut interest rates to compensate for recession. And with the stability pact strictures, they will not be able to spend their way out of recession either.

Backers of the stability pact say they are not worried because it allows for countries to break through the 3 percent ceiling under exceptional circumstances.

Critics, meanwhile, say the pact will tie the hands of governments that normally would increase public spending in times of an economic slowdown.

ALAN FRIEDMAN is the International Herald Tribune's global economics correspondent.



Thousands, fearing euro will bring layoffs, protested in Paris in January.

Worst Pitfall for the Euro: Social Revolt Could Force a Nation to Withdraw

By Joseph Fitchett

PARIS — The worst risk facing Europe's single currency — in fact, probably the only potentially catastrophic one — would not look much like a currency crisis. Instead, the euro's worst potential pitfall would probably arise as a social revolt in one of the member countries, confronting a government with the choice of losing office or abandoning monetary union.

Such a choice would quickly develop into the most radical geopolitical gamble by a democracy since World War II. It would involve not just re-establishing that country's national currency but also extricating the country from many other European Union institutions, shaking the entire EU along the way.

There are no clear procedures for getting out of the euro, but governments can always break treaties by invoking overriding national interests. The legal complications would be minor com-

pared to the other costs.

A nation that went its own way would lose thousands of jobs over the ensuing months as doubts grew about economic prospects in that country; politically, dropping out would signal that a country was moving away from the European and international consensus. The departure of a major country, such as France, would poison the economic climate as badly as General de Gaulle's decision to leave NATO in 1967 skewed France's international status for three decades.

The political nature of the euro holds the key to its possible success and potential failure, according to a half-dozen European officials and business executives.

In using the single currency as a harness for European power, political leaders have, in effect, been using a currency device to mask their basic aim of making unpopular changes to help Europe meet intensifying international economic pressures.

But by an accident of history, the single currency is being born precisely at a time when the convulsive process of change known as globalization is striking Europe with full force, bringing intense competitive challenges and record joblessness. That coincidence lends some degree of credibility to disaster scenarios, in which economic forces build up in the weakest corners of the European economy and finally erupt at a politically sensitive moment.

The threat, a European finance minister said, on condition that he not be named, "is a nationalist backlash, against economic modernization in general that triggered a revolt against European integration that took the euro with it."

Since reunification of Germany nearly 10 years ago, the theme of a single currency has played a central role in reassuring Germans and their neighbors that Europe will be capable of absorbing this unified national powerhouse. This overriding political purpose, the executives and officials said, will ensure that governments find fixes if necessary to overcome foreseeable problems, including the likelihood that monetary union will produce social tensions and policy debates that may damage ties between the countries in the euro.

Almost certainly this will happen as countries try to reach a common approach on shutting down agriculture operations that have become internationally uncompetitive or finding ways to pay for retirement benefits. The 11 countries involved have very different demographics and sharply differing attitudes toward the idea of using the stock market to fund pensions.

Award as it is to seek accommodation, these issues are so tough that governments may actually gain by hanging together — forced by the euro.

If a small country felt pushed to its political limits, its problems might be manageable for other governments and the euro would sail on even if a small nation withdrew.

The problem would be different with a major country. If, say, France withdrew, Europe would consolidate around a group of countries dominated by the Deutsche mark.

There are also fears that Washington might sabotage Europe's step toward economic unity by driving down the value of the dollar against the euro, thus spurring U.S. exports and damaging European growth prospects.

But this seems unlikely. Too much U.S. money is invested in Europe for Washington to target the euro. If events drove the euro too high, it would motivate the European Central Bank to cut rates in order to push the euro back down.

Of course, even if each of these pitfalls can be avoided, there could be a larger negative sum of the parts — that Europeans, in their great diversity, begin to dislike each other more as they become more intimate because of a common currency.

Once their fortunes are linked in the euro, will Italians resent Belgian strikes for hurting the euro? Will Dutch pharmacists complain about subsidizing Spanish agriculture? It will be a race, a Dutch banker said, to manage such grievances for at least a decade — the period generally conceded necessary for the euro to pay benefits in terms of greater labor flexibility and mobility.

At that point, the euro presumably would become irreversible.

JOSEPH FITCHETT is on the staff of the International Herald Tribune.

A Few Weighty Facts About the New Currency

IT WILL take about 300,000 tons of metal — 400 times the weight of the Eiffel Tower — to mint 76 billion euro coins. Most of the coins will contain "Nordic gold" or coppered steel. Some consumer groups are concerned that the proposed use of a copper-nickel alloy in 1 and 2 cent coins could result in eczema on users' hands.

THE EURO symbol is a Greek epsilon harking back to the first days of European civilization, crossed by two parallel lines denoting stability. The euro will be written on bank notes in both Latin and Greek script, although Greece will not be among the first wave of countries adopting the euro.

THE 12 billion Euro bank notes — 5/grey, 10/red, 20/blue, 50/orange, 100/green, 200/brown and 500/purple — will depict prevailing architectural styles during seven ages of European history — Classical, Romanesque, Gothic, Renaissance, Baroque, Rococo, the age of iron and glass and the

20th century. The designs feature windows and gateways on the face, symbolizing the spirit of openness and cooperation, and bridges on the reverse symbolizing communication.

IN THE THREE-YEAR transition period before euro notes and coins are introduced, commercially posted conversion rates will legally be in one direction only — euro to national currency. More than 100 electronic currency converters already are available, most of them distributed by banks, industrial groups and supermarket chains as marketing aids. They should by law show conversion rates in six significant digits, although in practice prices will be rounded off to two digits after the decimal point — for example, 1.50 euro.

MORE THAN 90 percent of euro bank notes will be produced by central bank printing plants. Measures against counterfeiting will include fluorescent

fibers, a multitone watermark, security threads, intaglio printing and reflective foils. They will also include features enabling them to be read by bank and vending machines.

THE EUROPEAN Central Bank will have 50 billion euros at its disposal in reserves pooled by the central banks of member states. The central bank contributions will be equally based on the number of inhabitants and the gross domestic product of the member states. Profits made by the European Central Bank will be redistributed among the member states. Cross-border financial transactions will be made through TARGET, which stands for Trans-European Automated Real-time Gross Settlement Express Transfer System.

GERMANY will hold the presidency of the EU when the euro is introduced in January. Spain will be in the chair when notes and coins are introduced in the first half of 2002.

— Barry James

Will Consumers Win and Workers Lose?

Continued from Page 18

euro pricing policy yet, but it insists that it won't use the transition to raise prices. "Our customers come to us because they trust us," said a spokeswoman, Alessandra di Montezemolo. "We want them to continue to trust us."

"The tough competition in Germany will not allow windfall profits by rounding up prices," said Hans-Joachim Wiecek, chief spokesman for Cologne-based Metro AG, Europe's largest retailer. But the temptation to round up may be intense. Metro estimates it will spend 500 million marks (\$285 million) to 600 million marks to convert its accounting systems and cash registers to the euro. Those costs are more than half of the company's 1997 operating profit of 930 million marks.

The European Consumers' Organization contends that the only way to stop hidden price rises is to mandate the posting of dual prices in national currencies and in euros during the transition. But the EU Commission last month declined to take that step and instead called on retailers and consumer groups to reach voluntary agreements on price displays.

On the job front, a recent survey by KPMG found that twice as many corporate executives expected wages to rise on average because of monetary union than to fall. Ms. Pryce said relatively few companies have shut factories in high-wage EU countries and moved to low-wage areas. Companies have tended to steer more new investment into low-cost areas — for ex-

ample, some German companies have expanded production in Italy — "but then Italian wages go up and you haven't done anything about German wages," she said.

But some unions tremble at the prospect of the euro. In banking, which accounts for 2 million jobs in the EU, many analysts predict a wave of cross-border mergers on the back of the euro and hundreds of thousands of job losses. France's top four banks — BNP, Societe Generale, CCF and Credit Lyonnais — would have to shed more than 50,000 workers to match the staffing efficiency of Britain's Barclays Bank, analysts at Morgan Stanley Dean Witter estimate.

Banks also will be looking to recoup some of the estimated 30 billion Ecus they are spending to alter their computer systems and cash tills for the euro. Here, the transparency that a single currency will cast on labor costs could strengthen management's hand, unions fear. The average salary of a bank teller translated into Ecus ranges from 740 Ecus a month in Portugal to 1,350 in France and 2,400 in Denmark.

"We don't believe it will be taken out of shareholders," said Ms. Tesch of Eurofiet, referring to banks' conversion costs. "We don't believe consumers will pay for it. So we fear workers will pay for it."

Trying to stay ahead of euro-related pressures, leaders of European metalworkers' unions will meet this June in a bid to agree on an EU-wide target for limiting annual working time, which currently ranges from around 1,600 hours in Germany, Austria and Finland to 1,900 hours in Spain and Italy.

Later this year, the unions will attempt to extend their cooperation to wages. The aim is not to set a single EU wage, a difficult task when some German autoworkers earn more than twice the salary of Spanish autoworkers, but to agree on guidelines such as linking wage increases to productivity growth, and to increase regional cooperation.

When the German union IG Metall met with steelmakers to negotiate wages for the German state of North Rhine-Westphalia late last year, the union side for the first time included representatives from the Belgian and Dutch metalworkers unions.

"If we don't have such common rules, we will have much stronger competition between regions, and we would just increase the possibility of social dumping," said Reinhard Kuhlmann, assistant general secretary of the European Metalworkers Federation.

Mr. Coldrick sees several factors mitigating any downward pressure on wages. With most economies picking up on the Continent, Europe could be heading for several years of above-trend growth of 3 percent or more. And the rise of Social Democratic parties, which will control all major EU countries if Gerhard Schroeder defeats Helmut Kohl in Germany in September, suggests that Europeans and their governments won't tolerate drastic hire-and-fire policies.

"I'm pretty optimistic that we won't see generalized social dumping across Europe, or a generalized leveling down of wages," he said.

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And If It Went Wrong...

A worst-case scenario, unlikely but potentially disastrous for the euro:

It is late in the year 2001. France is gripped by work stoppages and social crises that have brought the country close to paralysis. Although the euro's introduction provided an economic filip, growth has fizzled as Asia failed to recover from its economic slump. As a result, French society remained deeply divided amid layoffs, pension restructuring and easier access to the French market for foreign business and workers — all painful changes seen by disgruntled French as coming from Brussels.

Facing subsidy cuts from the cash-strapped government, hospitals had only been taking emergency cases for three weeks. French railways were striking one day a week. Farmers, protesting the market inroads of European produce, had cut links with Spain. Such crises were nothing new in France, but Prime Minister Lionel Jospin lacked the levers his predecessors had used to buy off interest groups and unbridled labor protests. He could not decree wage hikes and then devalue the franc, since the currency

no longer existed. Nor could he resort to tax cuts or subsidies because the government deficit was already at the ceiling set by the European Central Bank. The bank was determined to prevent inflation and protect the single currency's international purchasing power, a strategy that had worked in Europe over time. But time was running out for Mr. Jospin as he and his Socialist allies faced elections in 2002.

The Socialists were increasingly isolated as other parties, from the Communists to the Gaullists to the National Front, blamed France's frustrations on European integration, including the euro. Mr. Jospin needed a dramatic gesture of international support — perhaps a multibillion-dollar modernization loan. He put in a call to Berlin: but Chancellor Gerhard Schroeder, a fellow Socialist, has his own domestic problems.

Mr. Jospin later announces his government's decision to suspend France's membership in the single currency. The next day, the markets sharply punish France, pushing it hopes that it can rejoin monetary union into the unforeseeable distance.

The Rub of Economic Abstinence

Continued from Page 18

promises for Germany — creation of a "blooming landscape" in the old East Germany, and slicing unemployment in half for the entire country by 2000.

Rather, the strongest and most charismatic new European political player, Gerhard Schroeder, who is running for the Social Democrats against Mr. Kohl in the Sept. 27 elections, continues to talk as if he were made wary by the Organization for Economic Cooperation and Development's very modest new projection on Europe's performance in creating jobs in 2003, once the new currency is in every day use.

The OECD predicts unemployment five years from now at 9.7 percent in Germany, 10.1 in France, and 10.9 percent in Italy, an improved situation over present rates, but still roughly double the current level of joblessness in the United States, and hardly the dramatic turnaround that would make the euro the symbol of a European economic renaissance. When combined with the OECD's projected growth rates in those countries of under 3 percent from 2000 to 2003, the result falls short of a profound turnaround in the employment market.

Not only does Mr. Schroeder steer clear of making any connection between economic union and cutting unemployment, but he says "small- and middle-sized firms will find the start very tough, with the possibility that many of the middle-sized ones won't survive. You can't miss the alarm signals," he told the German newspaper Bild.

For Mr. Schroeder, the problems at ground level go further. "The costs aren't clear yet," he said. What is clear, however, "is that states until now could devalue to catch up when they got in economic trouble. With the euro, that's excluded. So two possibilities remain. Either the strong euro countries, above all Germany, pay financial compensation to the weak states — which isn't the way things are planned — or the countries in trouble make cuts, for example in social services. Then what you have is people in Rome, Madrid, Paris or Lisbon going into the streets and demonstrating against the cuts, Brussels, and the euro. That tears Europe apart, rather than bringing it closer." Of course, Mr. Schroeder also insists that the euro is a fact, and that a new German government will be working for new jobs, while trying to avoid competitive tax-dumping and cuts in environmental spending.

The problem for Europe comes down to having a new framework for economic life that continues to carry specific constraints, but without a unanimous and politically acceptable plan for creating jobs that would make the abstinence seem worthwhile. For the time being, the likely solutions are located outside the public debate and the parameters of elections and national reflexes.

One approach would be the relaxation of the stability criteria, as some leaders privately suggest, so as to reinforce upward trends in growth and bring momentum to any positive movement in creating jobs. If this were to catch on, it could create a favorable context for a German-French jobs and tax initiative, easing hiring rules and lowering taxes.

In a Europe that holds to the idea that its greatest achievements include its laws on social protection, this would require political artfulness on the level of creating the EMU itself. It would also probably be an enormous step in turning the economic union into the asset for Europeans at every level that its founders pledged it to be.

JOHN UINOCER is the International Herald Tribune's senior correspondent.

EUROPE AND THE EURO / A SPECIAL REPORT

New Bank Faces Credibility Gap

By John Schmid

FRANKFURT — At least on paper, Europe's new central bank will be the most independent in the world and thus one of the mightiest. In practice, however, its power to choke inflation, discipline governments and brake or accelerate the economy for 290 million Europeans in 11 nations will hang on a thread called public trust.

Without popular support, unpopular actions to restrain growth or lift lending rates will become difficult to impose. That is an old fact of life for other autonomous central banks. But Europe's monetary gnomes will need to build from scratch that vital if intangible relationship in a way that no central bank ever has done before.

Communicating the intricacies of money supply to noneconomists has never been easy. Such public relations will become even trickier given 11 nations with economic cultures that vary widely.

Central bankers are infamous for their esoteric utterances and auras of secrecy. In the uncharted new landscape, such technocratic traits are luxuries that the European Central Bank cannot afford, according to central bankers, European politicians, think tanks and economists.

The independence of the future ECB will only meet with public acceptance if the ECB enjoys a high degree of legitimacy," said Christa Randzio-Plath, a member of the European Parliament, who chairs the subcommittee on monetary affairs.

"The independence of the future central bank will go further than that of any other central bank," said Ms. Randzio-Plath, who is pressing for strict rules of accountability. "This unprecedentedly high degree of independence will call for a correspondingly high level of democratic accountability."

The stakes are high. Failure to make the bank credible to the public and financial markets could lead to an early erosion of public confidence. A backlash could put pressure on politicians to search for easy money and cheap credit as the quickest answer to Europe's chronic unemployment. Without public support, the bank would have no recourse to fend off the pressure, weakening its autonomy.

Such an outcome commensurately would diminish the bank's mandate to control inflation. At the very least, the common market would fall short of its full potential. At worst, the linchpin of European economic integration would be discredited, stalling any future steps toward political integration that many hope will come in the euro's wake. Markets would react by pushing long-term interest rates higher, handicapping borrowers and government alike and slowing the economy in the process.

"Given the high unemployment in most European countries, pressure will be exerted on the ECB right from the start to tone down the priority of price stability in favor of boosting employment," warned Omar Issing, the chief economist at the German Bundesbank and Germany's nominee to the six-man executive board of the

European Central Bank. Political independence amounts to a "necessary but not sufficient condition" to operate the new bank, he said recently.

Such pressure has been evident in demands last year by French politicians for a political counterweight to the new body.

"If the public feels duped by the central bank, that central bank forfeits its credibility for many years to come," Mr. Issing said.

All this adds up to a tricky balancing act. Confidence in the new bank has already been hurt, many analysts believe, by the 18-month political feud over the bank's top postings. France has insisted that Jean-Claude Trichet, the governor of the Bank of France, head the new bank. Germany and nearly all other EU nations have supported Wim Duisenberg, president of the European Monetary Institute. European leaders hope to resolve the feud over the presidency by Monday, although it is unclear whether they can reach a consensus by then.

In Frankfurt, the central bank's home, a senior staffer said accountability ranks as one of the most hotly discussed issues. Among the bank's first decisions after it begins operations in May or June will be how often its directors will appear before national Parliaments and the European Parliament and whether and when to publish minutes of its meetings.

In Brussels, the European Parliament this month passed a resolution calling on the European Central Bank to testify four times a year.

"It is not a question of hiding anything," the staffer said. "The question is how much confidential work can be carried out leading up to interest rate decisions without jeopardizing them. Afterwards, of course, each decision must be fully explained." The bank's six directors and 11 board members will then preach the gospel of fiscal discipline nearly every day.

"They have to give a clear explanation of what they are doing and why," said Holger Schmieding, economist in Frankfurt for Merrill Lynch.

If the Bundesbank, the model for its European successor, is any guide, their message will hardly endear them to the euro electorate. Interest rates for many of the euro nations might rise early and hard as a way to establish the bank's inflation-fighting credentials, several think tank analysts have predicted.

The central bankers also are certain to urge governments and unions to make painful changes in labor markets on the ground that chronic unemployment can erode support for tight money policies, analysts said.

Credibility will suffer quickly if national fault lines begin to show. Failure of the directors to speak with a single voice would plant suspicions that quarreling policymakers can block each other. Trust would suffer if the public and investors presumed that internal rifts prevented the bank from doing the right thing, said Thomas Mayer, Frankfurt-based economist at Goldman Sachs.

The Bundesbank and U.S. Federal Reserve know that a single misplaced utterance can send markets into wild gyrations. Yet the risk of a "tribalization" of views are real, especially

under a "one size fits all" interest rate policy, economists said. With Ireland's economy expanding at nearly 8.5 percent last year compared to 1.5 percent in Italy, the room for differences of opinion is "wide open," Mr. Schmieding said.

Skeptics note that tolerance of central bank autonomy itself is a new phenomenon in Europe. In December 1991, when European leaders signed the Maastricht treaty that founded the European Union, central banks in most of the signatory countries were more or less dependent on their governments.

It is clear that the culture of stability is not as deeply ingrained in places like Italy and Spain and even France as it is in Germany," said Riccardo Barbieri Hermitte, an Italian-born economist at Morgan Stanley.

OPTIMISTS believe the European Central Bank can inherit the collective credibility of its member national banks. Not all agree. For a central bank, "reputation has its roots in decisive and goal-oriented action. It is bound to an institution and cannot simply be bequeathed," according to the view last year of Germany's Council of Economic Advisers.

Traders, who long used the rule of thumb "never bet against the Bundesbank," will be ready to put its replacement to the test.

Officials at the Bundesbank admit they owe their long track record as Europe's premier inflation-fighting institution to Germany's "stability culture" or social consensus. That has allowed the Bundesbank to fight the government, when necessary, and win. When Bonn last year wanted to revalue the Bundesbank's gold reserves as a quick revenue windfall to plug deficits, the Bundesbank rallied the public and parliamentarians to its side. The government backed down.

Until the first half of this decade, the marriage of public support and central bankers was a phenomenon considered unique to Germany. Germans tolerated a jolting shock treatment of postunification interest rate increases, driving the cost of credit to the highest levels in postwar history, even as the economy sputtered into recession.

With their currencies pegged to the Deutsche mark, other nations complained bitterly of the price they paid to fight the inflation threat emanating from the load of newly printed Deutsche mark bank notes for East Germany. Tellingly, German inflation throughout the ordeal peaked at 4.8 percent, a level that was commonplace at the time in Italy, Spain and Portugal.

"The Bundesbank is really an example that formal independence does not matter that much. What matters more is the public trust," Mr. Schmieding said. "The Bundesbank has lots of popular trust and can get away with a lot of things that can be difficult to explain to the public, but the public trusts the Bundesbank to do the right thing." The European Central Bank "faces an uphill struggle for quite some time," he predicted.

JOHN SCHMID is the International Herald Tribune's Germany correspondent.



In 1996, the French village of Mortagne-au-Perche began a campaign to acquaint its residents with the euro.

Media Blitz to Woo a Skeptical Public

By Barry James

BRUSSELS — And now, get ready for the hard sell. Once Europe's monetary union has been formally announced, governments will begin cranking up a publicity campaign aimed at promoting the single currency to a predominantly skeptical public.

The latest cross-Europe poll showed that only 47 percent of Europeans on average are in favor of the euro. But the degree of acceptance varies widely from country to country.

Germans, above all, will regret the passing of their powerful Deutsche mark. Italians will have less difficulty in saying farewell to the lira, after dozens of government changes and devaluations since World War II. Italians have never suffered German-style doubts about the euro. Of 1.5 million people who phoned into a recent television program, most were in favor of the single currency. Newspaper polls suggest that more than 70 percent of Italians support the euro.

Acceptance for the euro is creeping up in France. A recent Sofres poll suggested that 57 percent of the French are in favor of the euro.

For Spaniards, entry into the single currency zone will put their final seal on their passage from dictatorship to democracy. Monetary union will put the

Finns, long the frozen boundary of Europe, into the heart of the Continent's decision-making. Still, a powerful rural constituency opposes it.

The British are deeply reluctant to relinquish their pounds and pence and are remaining out of the euro zone, along with the Danes and the Swedes. Polls in Sweden suggest that the main preoccupation there is that monetary union will lead to federalism.

The Greeks cannot meet the single currency criteria, but they are making huge efforts to catch up.

The passage to the single currency has been achieved with little public assent. Some talk of a "democratic deficit," although the issue has been discussed and approved by the European Parliament.

Money goes to the heart of people's lives. It is their retirement, their security, their children's education, their hopes and their fears. For all the talk of new economic opportunities and of broader horizons, many are afraid of letting go of the familiar, of adopting strange new bank notes and coins without character, without roots in history. Yet while there is no great show of enthusiasm, Europeans do not want to be left on the sidelines by what is in effect a revolution.

Monetary union will come into being eight months from now. Between now and then, governments will attempt to convince their citizens that the euro is in

their best interests. All the governments in the currency zone have prepared a television and newspaper blitz to prepare the way. The campaign will be carried into schools.

The commission, the executive arm of the European Union, has been a prime mover behind the single currency, but it has remained aloof from the debate. Legally, it cannot intervene. Under a principle known as subsidiarity, it is up to governments to spread the word.

The commission takes the view that the way to sell the euro varies from country to country, and even between regions in the same country. The issue has to be addressed in domestic political and economic terms.

Most governments have held back from promoting the euro until the members of the single currency have been announced.

The situation was different in Italy, which imposed a special tax to meet the euro criteria and needed all the public support it could get.

Public and political opposition to the single currency has been most powerful in Germany, where the stability of the Deutsche mark has become almost a fetish in light of memories of the wild inflation of the pre-war period. Paradoxically, it is in Germany that companies have been among the most enthusiastic in jumping on the euro bandwagon. Many have said they will promptly adopt the new currency.

Next Step: Locking the Euro in Place

By Carl Gewirtz

PARIS — Western Europe's collective dream of currency independence takes a historic step closer to reality this weekend when governments of the 11 countries who plan to form a monetary union next year declare the exchange rates they intend to fix against one another.

The irrevocable fixing of rates will only take place Dec. 31, and the actual coins and notes of the new euro currency will only replace existing national currencies in 2002. But by declaring their conversion rates against one another now — rates that are widely expected to reflect current levels — the 11 begin the final stage of facing the world as monetary monolith.

By moving so early, officials hope to reduce uncertainties, eliminate opportunities for potentially disruptive speculation and, in particular, give business ample time to prepare for the numeric changeover that will occur on Jan. 4, the first day of business next year when prices throughout the region will be quoted in both euros and existing national currencies.

"Exchange rates will become less important for each country," said Professor Charles Wyplosz of the Graduate Institute of International Studies in Geneva. "The external value of the euro will still be a matter of concern, but much less of a preoccupation."

The reason: Trade outside the euro area of the 11 will shrink to a level about as important as foreign trade is to the United States. In other words, not very. That's because a huge portion of Europe's trade is with itself.

To take the most extreme example, Belgium will see exports drop from 67 percent of total national production to an effective 24 percent when measured only as trade outside the euro area. Even for the largest members of the euro currency union — Germany, France and Italy — trade exposure to the outside world will be almost halved. For all 11, exports outside the euro area will amount to 13.7 percent of production and imports to about 13 percent. The comparable U.S. figures are 11.3 percent and 12.4 percent, respectively.

The numbers mean that the dollar can soar in value, or fall, without having an impact on the main business of Europe,

which is trading with other Europeans. Most experts expect the dollar to be more volatile versus the euro than it was against the Deutsche mark.

During the past 28 years, the dollar has swung violently, losing more than half its value versus the mark in the 10 years to 1980, then doubling over the next five years, then skidding 60 percent over the following 10 years to a low of 1.3455 DM.

During this period, Europe experienced a great number of currency crises as dollar weakness versus the mark invariably meant weakness of the other European monies versus the mark. It is this kind of intra-European disturbance that will cease.

The decision to face the rest of the world as one currency, armed only with a common monetary policy set by the European Central Bank, remains a daunting challenge. No one imagines that one policy on interest rates will always suit all 11 countries, since so many other aspects of economic life, from corporate accounting standards to fiscal policy, are not coordinated and remain under national control.

But the political commitment to make monetary union work has clearly impressed bond holders, the class of investors most at risk. "The message from the performance of bond markets has been most impressive," declared Graham Bishop, London-based analyst at Salomon Smith Barney.

Looking at the movement in market prices of 10-year bonds, Mr. Bishop noted that long-term German interest rates have declined from 5.25 percent late last year to a near record low 4.87 percent currently. At the same time, the premiums at which Italian and Spanish government bonds trade over German levels have nearly halved.

This is an impressive message, saying that investors have confidence in monetary union, that they are not worried about the euro," he said.

The big question is whether policymakers, in particular the central bankers, who have spent their professional lives with one eye always fixed on the external value of their currencies, will feel free to exploit the room for fluctuation that the common currency affords.

The record clearly shows the Bundesbank's legendary indifference to employment and growth, a policy

that created a "hard" money at the expense of some economic underperformance," said Professor John Makin at the American Enterprise Institute in Washington.

But with unemployment in the European Union averaging a crushing 11 percent and forecast, based on current policies, to remain at just over 9 percent in 2003, Mr. Makin warned that "the EU can't afford the kind of indifference to growth typically displayed by the Bundesbank."

Even Mr. Bishop estimated that "it could take a generation for EU policymakers to lose their sensitivity to the external value of their currencies."

The danger, said Jonathan Wilmot at Credit Suisse First Boston in London, is that the short-term interest rates controlled by the European Central Bank will be tightened too soon to fully exploit the economic recovery now under way in a misguided effort to prevent a weakening of the euro and to accommodate the need for higher interest rates in countries like Ireland and Italy as well as the Netherlands and Spain.

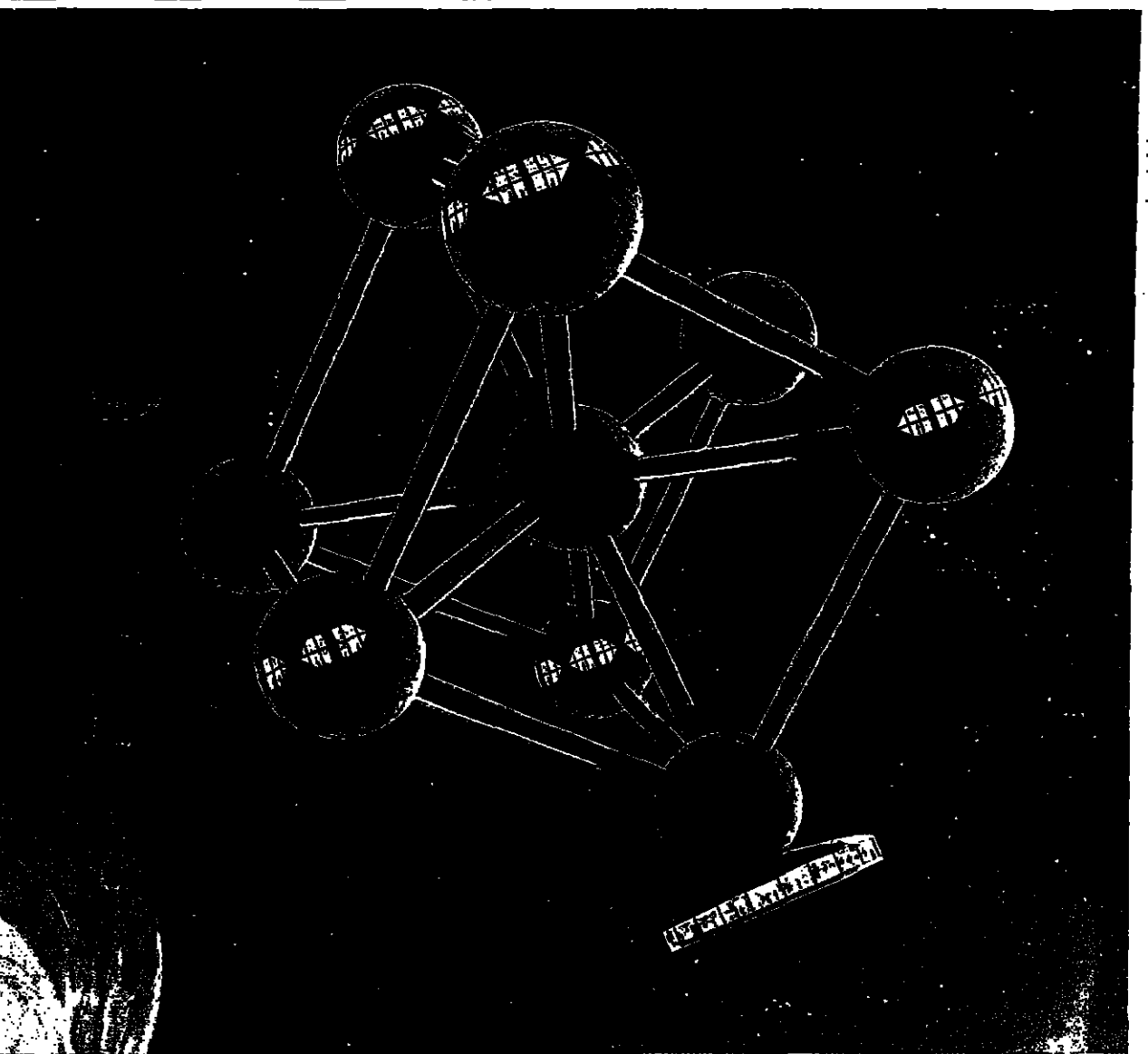
Mr. Wilmot concurred that lower interest rates risk fueling a bubble in asset prices in these countries, but he asserted that those problems could be averted with an aggressive reform of spending and taxation policies that need to be taken in any event.

As for the capacity of a strong euro to dethrone the pre-eminence of the dollar as a reserve currency, analysts take sharply different views.

Avinash Persaud at J. P. Morgan in London believes the euro could begin challenging the dollar "lightningly quickly" as more world trade will emanate from the euro area than the dollar area, and as transaction and dealing costs for the euro fall to levels competitive with those for the dollar.

But taking the view that trade follows the flag and Euroland still has no flag, Norbert Walter at Deutsche Bank in Frankfurt expects that "the euro will be to the dollar what Airbus is to Boeing: a junior partner, a competitor, but not an equal. There is one political hegemony, and that's the United States for the foreseeable future and that will reflect itself in such areas as the currency."

CARL GEWIRTZ is an associate editor of the International Herald Tribune.



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EUROPE AND THE EURO / A SPECIAL REPORT

By Any Measure, Europe's New Monetary Union Is a Historic Exploit

By Reginald Dale

WASHINGTON — Starting from the Declaration of Independence, it took the United States nearly 90 years to establish a fully fledged common currency, and a further 50 years to set up the Federal Reserve system in 1913.

When the European Union introduces the euro, backed by a European Central Bank, at the beginning of next year, it will have traveled the same distance in just over 40 years.

Of course, it is not an exact parallel. But the comparison is worth making if only because so many people forget how far, and how relatively fast, the Europeans have come since they began their postwar drive for closer unity in the 1950s.

As the debate over the single currency has intensified during the past two years, the focus has been much more on the economic and financial technicalities than on the momentous historical dimensions of the endeavor.

Yet, by any historical yardstick, the decision by 11 West European countries to link their destinies in an economic and monetary union is an epoch-making achievement. And, in many ways, the Europeans face a harder task than the Americans did before them.

It will not be Europe's first try. European monetary unions have come and gone, in different shapes and sizes, and with greater and lesser degrees of permanence, for the past 2,000 years. The single currency zone will be smaller than the Roman empire, in which for centuries the silver denarius circulated freely from the Middle East to the Atlantic and from North Africa to the Rhine.

BUT it will be larger than Charlemagne's empire, which covered roughly the same territory as the six founder members of the European Union, and which also boasted a common silver coinage in the early 9th century. Both those unions, however, were largely the fruit of conquest.

What is unprecedented about the euro is that so many independent states are voluntarily pooling their sovereignty — for the first time — not just in order to improve the mechanics of trade and currency flows, but to promote much deeper economic and political unity.

In the United States, the National Currency Act of 1863 helped unify America, then in the throes of civil war, by providing for the replacement of state bank notes of varying values by the greenback — in much the same way that national currencies in Europe will be replaced by the euro.



Chancellor Konrad Adenauer and President Charles de Gaulle, the architects of the Franco-German Treaty of Cooperation, meeting in Paris in 1967.

Some 19th-century Americans even thought that the Civil War might not have occurred if the currency had been unified sooner, just as many 20th-century Europeans have seen economic integration as the best way to prevent further fratricidal wars in Europe.

In 19th-century America, the greenback quickly became not only a major spur to trade but an important symbol of national unity. Many Americans at the time seem to have believed that the new dollar "had an important impact in helping create a common national identity," according to Jerome Sheridan of American University in Brussels.

Much the same role is now sought for the euro by its supporters in Europe. Of course, few Europeans believe that the euro will usher in a United States of Europe, at least in the near future. Europe's historical, linguistic and cul-

tural divisions are still too deep, its national instincts too strong, and public support for bold new steps to political unity too shallow. The Continent's past is still ever-present. Charlemagne's single currency was resisted most strongly by the very same two peoples — the English and the Danes — that insisted on official opt-outs from today's single currency nearly 1,200 years later.

FOR much of the past two centuries, French thinkers and economists have consistently been among the most active proponents of European monetary integration. In the mid-19th century, Michel Chevalier, an economic adviser to Napoleon III, foreshadowed the creation of today's planned European Central Bank with uncanny precision.

"One does not see why the progress of commercial and political relations among the peoples of Europe should not lead to the creation of an international bank, which would have at least one seat in each of the great states," he wrote.

Britain has always been aloof. In the 16th and 17th centuries, England was notorious for its distrust of Continental monetary conspiracies against the City of London, and in the 19th century the English poured cold water on French-backed proposals for a "universal money" linking Continental European currencies to the pound and the dollar.

To some, such signs of enduring national characteristics are reassuring. They suggest that Europeans will not quickly or easily lose their national identities in some kind of a faceless superstate. But they also inevitably raise the question of why the euro should

work when so many previous attempts have failed.

In the late 19th century, three European currency unions existed alongside each other — the Latin, the Scandinavian and the German — all of which eventually came to grief. In recent decades, the EU itself has demonstrated the difficulty of the task by adopting and then postponing earlier plans for monetary union.

So what makes the 11 countries think they can succeed now? In the first place, previous monetary unions had much less solid foundations. The Latin and Scandinavian unions of the late 19th century were established for reasons of currency and trading convenience, not as part of a broader process of economic and political unification.

The original German union was destroyed by World War I, but Italy's has

lasted since 1861 and Britain's since 1707, when Scotland joined England in the Act of Union. The Benelux monetary union has lasted since 1923, and the currencies of the former East and West Germany were merged in 1990.

The 11-nation union now planned is, of course, far more ambitious than any of its recent predecessors, and its membership will be much less homogenous. It would probably not be possible at all without the cataclysmic experience of World War II, in which all the European combatants except Britain suffered either occupation or defeat, or both.

Today's circumstances are much more auspicious than when the then European Community concocted its initial plan for monetary union in the late 1960s and early 1970s, with a target date of 1980. That effort was blown apart by the first international oil shock and the Europeans' ragged response to it.

IN those days, too, as Peter Kenen, an economist at Princeton University, has pointed out, fixed exchange rates were no longer fashionable and most European governments were still using capital controls. France and Germany for years engaged in a bitter doctrinal argument over whether economic union should precede monetary union, as Germany insisted, or vice versa, as France proposed.

Now, that argument has been settled, broadly in Germany's favor. Over the past 15 years or so, Europe has achieved an unprecedented degree of economic convergence.

It has also, since the European Monetary System was established in 1979, gained much more experience of relatively fixed exchange rates.

In contrast to the 1970s, there is now wide agreement on the importance of price stability and central bank independence. And in a more competitive, globalizing world economy, the advantages of forming a larger and stronger monetary bloc have become more obvious.

History, it has been widely noted, is moving faster. After the United States adopted its single currency, it took more than half a century for the dollar to oust the pound as the world's leading currency.

No one is expecting the euro to mete out a similar fate to the dollar in the foreseeable future. But in the quick-moving world of the early 21st century, it is unlikely to take the euro nearly as long as the dollar to establish itself as a major world currency.

REGINALD DALE is a columnist based in Washington for the International Herald Tribune.

Corporate Europe Is Running Behind

In Preparing for Euro, the Laggards Are Likely to Lose Market Share

By John Schmid

FRANKFURT — Corporate Europe should be the first sector of society to learn what it means to have a shiny Trojan currency — a hopeful symbol of pan-European unity that many expect will sneak in with it a raft of painful economic and social changes.

Between a third to a half of Europe's companies have failed to prepare for the radically changed competitive landscape that the euro will bring. The figures, supported by several recent surveys from industry trade groups and management consulting firms, astonish anyone who thought Europe had plenty of time to get their systems up and running in euros.

Laggard companies, mostly small and medium-sized businesses throughout the European Union, are expected to rank among the first losers in the more competitive environment that the euro is expected to usher in after Jan. 1. "Those that are not ready may experience very real trouble and lose market share," said Francois Bordonado, who heads the euro conversion team at Pechiney SA, a large French aluminum and bottling company.

Steep costs to prepare for the euro and the unwillingness of Europe's pro-euro politicians to debate the euro's unwellcome side-effects rank among the main reasons many European managers are expected to be caught off guard, according to trade groups and executives.

Even some larger operations are running behind, industry sources say. "I still know of a lot of other big and important companies that are just getting started," said Andreas Erdmann, who heads euro conversion services for International Business Machines Corp. "It is going to hit hard," said Stephen Dexter, head of research on the euro at Grant Thornton International, a London-based accounting firm. In its most recent poll of Europe's small and medium-sized firms, Grant Thornton found 37 percent had not yet begun to prepare for the euro.

While the euro will be a boon to consumers who will see big price differences for goods like shoes and cars in neighboring markets, the ensuring competition immediately will feed into a supply chain of price pressure at the company level.

"Companies who have not yet started the changeover are seriously disadvantaged," said Leo Martin, senior manager at the KPMG management consulting group in London. In its survey, KPMG found only about half of Europe's companies — 53 percent — will be ready to prepare their accounts in the euro in 1999.

The winners are expected to be the big blue-chip businesses like Siemens

AG, Daimler-Benz AG and Philips NA which have been quick to adopt the euro as their inhouse currency. Siemens and Daimler began preparations as early as 1996.

At Daimler, the euro will become the "corporate currency" on Jan. 1, replacing the Deutsche mark in every sector of the company.

The mark, which helped make the auto and aerospace giant a world export champion, overnight will become "foreign currency," said Wolfgang Hartung, who has headed Daimler's euro project team since early 1996. Much like globalization, the euro will be a "catalytic factor" for change for companies and economies, he predicted.

Next year, Daimler will use euros when it publishes interim results for the first half of 1999.

Going further, Siemens will even use euros to pay employees in Britain, which is not among the 11 nations launching the euro.

The architects of European currency union deliberately created a three-year buffer period for companies to prepare. Starting in 1999, the euro will be introduced as a non-cash currency — mainly a unit that exists only on balance sheets. In 2002, the actual new notes and coins will be introduced.

Early-bird companies and banks reckon they can win market share and storm across national borders if they are in the first wave of total conversion.

Big players that started early did more than upgrade their software. They conducted top-to-bottom reviews of their hierarchies to find ways to bring the greatest efficiencies out of the euro. Many restructured.

IN Germany, Europe's biggest economy, the top 50 or so companies that invested heavily on an early switchover sent out letters to their main suppliers to warn them that all billing and bids must be in euros next year, according to the Bonn-based DIHT, Germany's Chamber of Industry and Trade.

Daimler alone sent out 40,000 letters of advance warning. But because what Daimler did is costly and complicated, only 39 percent of Europe's companies have undertaken internal restructurings to make the euro their inhouse money at the earliest changeover date, according to KPMG's findings.

In Germany, only an average of 43 percent of indigenous firms have begun preparations, according to a survey released last month by the DIHT. Grant Thornton ranks Germany along with Britain and Spain as one of the nations with a large share of latecomers.

"Those that do not fulfill the euro changes will face difficulties," said Guenter Albrecht, chief economist at the DIHT. "They can be boxed out of contrasts by rivals" who can quote

lower prices on supplier contracts in euros. The DIHT has begun an effort to goad its member companies to move faster.

In its sampling of the nation's biggest 25,000 companies, the DIHT results surprised those who expected Germany to be on the front lines of competition. The German sectors quickest to adapt have been industry, leading retailers and service providers. But even within industry, little more than half have begun to adapt. On the opposite end lies construction, where only one in five companies has begun the switchover, the DIHT found.

IN too many cases, experts say, companies view the euro merely as a software changeover, similar to the glitch related to the year 2000 conversion. Those companies might be able to send out bills, but will suffer from inhouse confusion.

"It is not only a software problem. It is a complete corporate problem. It is a legal problem. We have to train 940 people this year," said Jean-Dominique Senard, chief financial officer at Pechiney.

On the software level alone, the task is far more bewildering than locating an "e" for euros on keyboards. Under EU regulations, a company that wants to repatriate revenue from lire to gulden during the transition period must first convert to euro from lire and then from euro into gulden. To ensure uniformity of exchange rates, the EU stipulates accuracy to six digits after the decimal. Programmers dub it "triangulation" and call it the most compelling reason to switch early.

"For those unable to adapt on time, they have to deal with almost all segments of an organization with two currencies and that is not healthy. It is a disadvantage," said Mr. Hartung. "Those who come late will deal with the euro as a foreign currency."

Another problem for latecomers is Europe's shortage of computer programmers. Hermann-Josef Lambert, a top euro executive at IBM, estimates that Germany this year needs 20,000 more programmers.

Costs for the changeover pose the biggest disadvantage to small companies. Daimler estimates the total bill for its transition at 200 million DM (\$111 million), with more than half of the sum for computer changes. However, these costs will be offset by annual savings of up to 100 million DM in transaction costs, it reckons.

In what Mr. Martin called a "shockingly high sum," KPMG found on average that larger companies are faced with \$30 million in changeover costs. That figure excludes the expected plunge in sales that many companies are likely to suffer when the euro exposes big pricing differentials and forces price realignment.

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MINISTRE DE L'ECONOMIE
DES FINANCES ET DE L'INDUSTRIE

Sticky Equation

By Barry Jones

BRUSSELS — The European Union's new monetary union, the euro, is a complex and controversial project. It is a project that has been in the making for decades, and it is a project that has been the subject of much debate and controversy. The euro is a currency that is being introduced in 1999, and it is a currency that is being introduced in a way that is designed to be as smooth as possible. However, there are many challenges that the euro faces, and these challenges are being discussed in this article.

Countdown Begins
the First Phase

The first phase of the euro's introduction is the most critical. It is the phase in which the euro is being introduced in a way that is designed to be as smooth as possible. However, there are many challenges that the euro faces, and these challenges are being discussed in this article.

EUROPE AND THE EURO / A SPECIAL REPORT

Tricky Equation Ahead: 11 Nations, 11 Tax Systems and One Currency

By Barry James

BRUSSELS — European monetary union raises the specter of 11 countries bound together by a single currency and divided by 11 diverse tax systems.

An important question for the success of the common currency, experts say, is the extent to which member nations can agree to align, or harmonize, their taxes. Unless they do, investors and talented individuals in a market without economic borders will gravitate to where they are taxed the least.

The European Commission puts this in more technical terms: "As exchange rate are reduced following the introduction of the single currency, the differences between national tax systems will become more visible and will have an even greater influence on allocation decisions."

In placing monetary policy in the hands of the European Central Bank, governments leave themselves with a restricted range of fiscal measures to tackle problems such as unemployment and national debt. Taxation is one of those measures.

In short, countries will either have to cut costs, or maintain the present high level of taxes to stay within the criteria of the currency zone, and to maintain public services, pay pensions and preserve social welfare systems. The European

Commission, the executive arm of the European Union, warned that unless tax spending is checked the burden will shift increasingly to the least skilled or less mobile workers.

Similarly, it said, small companies and craft industries that are important for job creation will be penalized more than mobile multinational companies. Taxes and social charges on labor have increased over the past 15 years while other costs, such as capital, energy and natural resources, have decreased.

The European Commission says that taxes, as a percentage of GDP, in the EU set a record in 1996. Governments siphoned off 42.4 percent of economic output, compared with 41.7 percent in 1995 and 38.7 percent in 1980.

"Unless the trend is reversed," the commission said, "employment will be further discouraged because the result is that labor becomes more costly for employers, less rewarding for workers and less advantageous relative to capital for producers."

Tax competition is rife among European countries seeking to lure investors. When two regions offer similar facilities and labor skills, the one offering the best tax breaks usually wins the deal.

In a first move to iron out inequalities, EU members have agreed on a non-binding code of conduct on business taxation. They said they would avoid "harmful competition" in taxation,

meaning deals to attract investors to certain regions, enterprises or economic sectors. They also agreed to phase out such inducements where they already exist.

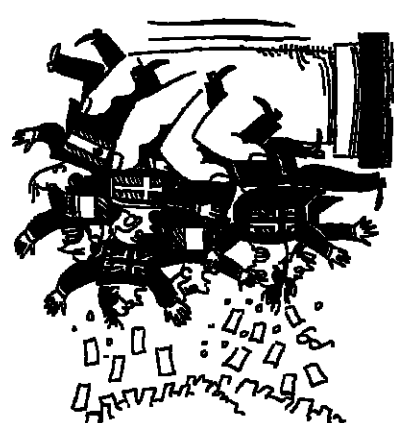
Exactly what constitutes "harmful" was not explicitly defined, leaving the way open for future disputes.

Ireland, for example, would be reluctant to abandon its low rate of corporation tax, which has been an important contribution to its industrial boom. Italy cannot overnight stop transferring resources from the rich North to the poor South, even if this causes tax evasion.

Problems could also occur if countries use taxes to pursue conflicting political ends. Imagine, say, that one country used tax incentives to protect the environment while another used taxes to subsidize road-building. The commission is pressing governments to adopt a joint position on so-called green taxes.

Mario Monti, the commissioner with responsibility for taxation, said the code of conduct "will make it possible to reduce the distortions in the operation of the single market, to prevent the growing erosion of tax revenue and to pursue tax policies which are conducive to employment." Tax inequalities mean the single market is "significantly underperforming," according to Mr. Monti.

Companies still face a taxation minefield when they do business across national frontiers. For example, they have to deal with more than 200 different



Barry James/ITF

special arrangements and options concerning value-added tax alone.

Louis Schweitzer, chairman and chief executive of Renault SA, said tax differences will make it impossible to have uniform prices in the currency zone.

"The prices are tax inclusive which means that, as there are different taxes on the purchase of a car in Europe, you cannot have a price convergence in Europe," he said.

"Either you have the same prices before tax and the customer pays different prices, or you have the same price after tax and the dealer pays

different prices; both are unacceptable."

In the face of strong opposition, the European Commission is standing firm on a decision to abolish duty-free purchases in the EU from next year, saying that they create important distortions in the market.

The commission recently advised governments to abolish cross-border taxes on interest and royalties for companies within the same group. At present, these companies often have to pay taxes both in the countries from which such payments are sent and in those where they are received. The commission said that only payments in the receiving country should be taxed.

The commission also called for a cross-Europe system for taxing interest on accounts held by nonresidents. It proposed that either interest be taxed at source at the same rate in all countries or financial companies send details of interest paid to the tax authorities in depositors' home countries.

Either way, the proposals would end an advantage of the EU's leading tax haven, Luxembourg, which has waxed rich on secret, untaxed foreign deposits.

After Germany imposed a 30 percent withholding tax on investment income in 1992, capital flight into Luxembourg is believed to have become a torrent. German tax police say they have recovered a list of clients at Commerzbank

who have deposited funds in the Grand Duchy.

Belgium also has stepped up the heat on Luxembourg, its partner in the long-standing Benelux money union.

The police recently jailed the head of the Belgian Kredietbank's Luxembourg subsidiary before releasing him without charges. Belgian prosecutors accuse the bank of helping wealthy clients evade taxes.

The union of Luxembourg bank employees has described the Belgian strong-arm tactics as "military aggression, pure and simple."

Luxembourg officials, snubbed by accusations of money-laundering, reportedly are considering a modest tax on investment income. They are resisting pressure to end banking secrecy, which could drive deposits to less regulated environments, such as the Cayman Islands.

European Commission officials suggest that economic growth and the galvanizing effect of the single currency will combine to get the euro off to a good start.

But the problems with Luxembourg, many experts suggest, are but a foretaste of the difficulties that may arise unless Europe brings its taxes more closely into line. And unless there is a serious attempt to reduce punishing tax rates, particularly on labor, the experts say, havens like Luxembourg will continue to flourish.

Countdown Begins To the First Phase

Continued from Page 18

coins. As existing notes and coins are taken out of circulation, they will be burned or recycled for their metal value.

By the time the currency is introduced, the need for it may already have been reduced because of a more widespread acceptance of credit, debit and stored-value cards. Experts say that plastic money could be one of the big beneficiaries of the changeover, but to what extent is difficult to predict. It depends on the culture of each country. French consumers have widely adopted debit cards containing account details in an electronic chip. Germans prefer to pay in cash.

A stored-value card, which can be topped up at banks, contains a set amount of ready cash. Imagine, say, that you are in transit at Frankfurt airport and you want to buy a magazine. Rather than converting your currency at a loss into Deutsche marks, you will be able to make the payment in euros on a cash card.

About 100 million cash cards or electronic billfolds already are in circulation in Europe, but they only work in the country of issue. Once countries are sharing a single currency, these cards should be able to work anywhere.

People going on vacation in the euro zone should start reaping the benefits of the new currency as from this summer. Finance ministers this weekend are scheduled to fix the rate at which national currencies will convert with each other on Jan. 1. This will eliminate the foreign exchange risk between, for example, Deutsche marks and Spanish pesetas, allowing banks to charge only for administrative costs and pass on savings to customers. If they don't, the European Commission in Brussels advises citizens to look for another bank.

With the introduction of the euro in January, financial markets will instantly become more integrated. National long-term debts will be denominated in euros, creating a bond market to rival that of the United States. Contracts will continue as before, but insurance policies, mutual funds and most other financial instruments in the currency zone will be converted to euros.

In the short term, few single industries will be affected more by the introduction of the new currency than the banking sector, which faces competition, restructuring and consolidation with the switch to a Continental-scale economy. It stands to lose a substantial revenue stream from foreign currency transactions, and some estimates suggest that this

could reduce bank earnings by up to 10 percent. Banks also will be responsible for many of the costs of conversion and of educating the retail sector and the public. The French banks alone estimate that the changeover will cost them about 20 billion francs.

The European Commission insists that banks must not pass on to consumers any of the obligatory costs involved in the conversion. In other words, they must not charge more for a euro transaction than one involving a national currency. The commission said it expects the banks to adhere to a code of good conduct warning that, if this does not suffice, it will legislate to protect consumers.

The loss of income will be "sizeable but not unmanageable," according to Ewoud Schuitmaker, vice president for economics at the ABN-AMRO bank. The bank predicts that short-term pain will soon be replaced by long-term gain. "If the banking sector can demonstrate that there is life — and a prosperous and stable life at that — beyond 1 January 1999, then the corporate sector will be able to follow in our industry's footsteps with confidence."

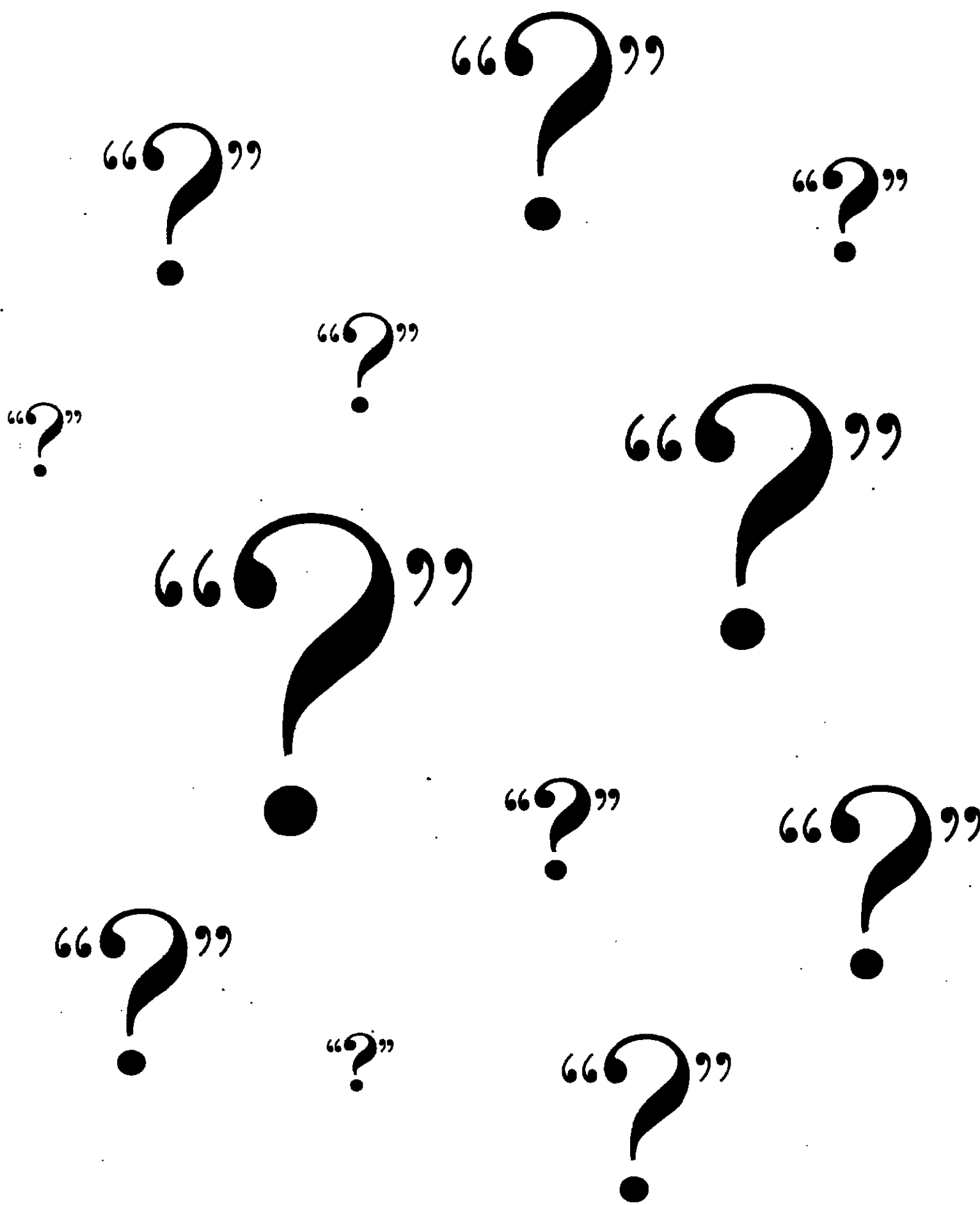
Many multinational companies, including some outside the currency zone, are planning to switch to euro accounting at the earliest opportunity. "Companies are strongly in favor of and prepared for an early switchover," said the Association for the Monetary Union of Europe in Paris, after polling scores of firms. "The great majority of respondents have already adopted a changeover strategy."

The companies said increased price transparency will be the major opportunity, or threat, of a single currency. This means that customers will more easily be able to compare prices in one country against those in another.

Many companies also were concerned about the cost and complexity of adapting information systems to the new currency; in fact, software providers and information technology experts could be among the big winners in the conversion process.

The association said the main factor holding companies back was uncertainties about the legislative climate. For example, the inability of some social security systems to accept payment in euros during the transition period will make it difficult for companies to convert their payrolls to the new system before 2002.

BARRY JAMES is on the staff of the International Herald Tribune.



It appears that the euro has united Europe after all.

Soon, we'll all be using the same currency. Right now though we're all just asking the same questions. Luckily, on IBM's euro website, the answers are at hand. Whether you need an introduction to EMU, an explanation of how it will affect you or examples of how IBM can help you prepare for the changeover, visit it today.

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Solutions for a small planet

The exact timing and manner in which the euro will be introduced varies from country to country. Information on the euro can be obtained at the following Internet sites. Their addresses, preceded by <http://>, are:

- Austria: www.oenb.co.at/
- Belgium: euro.fgov.be/
- Finland: www.vu.fi/vu/suomi/emuproj
- France: www.finances.gouv.fr
- Germany: www.bundesregierung.de
- Italy: www.bundesfinanzministerium.de
- Ireland: www.ir/gov.ie/finance; emaware.fortas.ie
- Spain: www.sevpaue.ie
- Italy: www.lesoro.it
- Luxembourg: www.etat.lu/FI/
- Netherlands: www.curo.nl
- Portugal: www.dgep.pt
- Spain: www.euro-mech.com

Two countries not in the single currency also have sites.
Sweden: www.regeringen.se
United Kingdom: www.hm.treasury.gov.uk

WORLD ROUNDUP

Agassi Gains Semis

TENNIS Andre Agassi beat second-seeded Jonas Bjorkman, 6-2, 6-2, on Friday to reach the semifinals of the BMW Open in Munich. Agassi, the No. 8 seed, broke Bjorkman's serve at the start of each set and never dropped his service. His semifinal opponent will be Galo Blanco of Spain, who beat Tomas Nydahl of Sweden, 7-5, 5-7, 7-6 (7-1).

Bergkamp Wins MVP

SOCCER The Arsenal forward Dennis Bergkamp, who is from the Netherlands, was voted English soccer's Player of the Year on Friday. It was the fourth year in a row that the award was bestowed on a player who was not English.

Espirito Takes 14th Stage

CYCLING Victor Espirito, captain of the Philippine cycling team, won the 14th stage of the Tour of the Philippines on Friday. Espirito's teammate, Warren Davadilla, who finished eighth in the 27-kilometer (17-mile) individual time trial, kept his overall lead with two stages left in the race.

Espirito, the 1996 champion, was timed in 1 hour, 4 minutes and 47 seconds.

Fabio Baldato of Italy edged Bo Larsen of Denmark to win the 37th annual Round the Henninger Tower cycling race on Friday in Frankfurt.

Baldato covered the 192 kilometers (120 miles) in 5 hours and 14 seconds and won in a crowded sprint to the finish line.

Jan Ullrich of Germany, the Tour de France winner last year, finished 49th in a group seven seconds behind the winner.

Ullrich has been battling weight problems and has been criticized by French sports media because of his poor shape two months before the 1988 Tour de France. (AP)

A Title for Sparta Prague

SOCCER Sparta Prague clinched its second consecutive Czech first-division title with a 2-0 victory over Hradec Kralove on Friday. The triumph gave the Prague team, which has led the league from the start of the season, an insurmountable 64 points. Its cross-town rival, Slavia Prague, is second with 48 points. Five games are left. (Reuters)

Fistfight Alters Shape Of Heat-Knicks Series

Mourning and Johnson Suspended for Game 5

THE ASSOCIATED PRESS
NEW YORK — There will be a Game 5 in Miami without Alonzo Mourning, Larry Johnson and Chris Mills, and another Game 5 in Seattle with George Karl.

There will not be a Game 5 in Indiana or Ingleswood.

The New York Knicks and Seattle SuperSonics staged off elimination and

extended their first-round series to deciding fifth games by beating Miami and Minnesota on Thursday.

The Knicks beat the Heat, 90-85, after a fistfight between Mourning and Johnson with 1.4 seconds left. Mourning and Johnson were suspended for two games by the NBA on Friday, and Chris Mills of the Knicks drew a one-game suspension for leaving the bench area during the fracas.

The Sonics beat the Timberwolves, 92-88, saving Karl's job for at least one more weekend.

"I think our team has finally gotten into the playoff seriousness that we needed to be in from the beginning," said Karl, who is in the final year of his coaching contract.

The Pacers, meanwhile, moved on to the second round with an 80-74 victory at Cleveland. And the Lakers also made it out of the first round by finishing off Portland 110-99.

As far as bizarre endings go, nothing could beat the final 1.4 seconds of the Knicks-Heat game as Mourning and Johnson exchanged swings.

After the two battled for a rebound, Mourning threw the first punch and Johnson threw several in return. The Knicks' coach, Jeff Van Gundy, bolted onto the court and grabbed Mourning's leg, holding on even as he was being dragged along the floor.

NBA rules call for an automatic one-game suspension for throwing a punch.

"One-point-four seconds to go. I can't believe both guys would do that," said the Miami coach, Pat Riley, whose team had no chance of winning the game when the fight broke out. "I

mean, we did what we had to do, came up, got a split, got back into the series after losing in Miami."

It was an incredible ending to another hard-fought, physical game between the bitter rivals, whose second-round series last year included a brawl at the end of Game 5 that led to five Knicks being suspended for one game each.

That incident ultimately ended up costing the Knicks their season, but now they have a chance to turn the tables in the very same building where it happened.

"I made a big mistake. I let my teammates down," said Mourning, who claimed that Johnson had been hitting him all night.

Johnson said: "It's a big game Sunday. I should have grabbed my composure. I should have known better. It was spontaneous, but I had time to do the right thing."

Mourning also was fined \$20,000. Johnson was fined \$10,000 and Mills \$2,500.

The altercation was broken up after about 30 seconds, and suddenly the whole tenor of the series was changed.

Instead of having a Game 5 with both teams at even strength, Miami will be without its franchise center and New York will be without its only low-post scoring threat — unless Patrick Ewing returns. "When Patrick is ready, he'll get out there and play," said Ernie Grunfeld, the Knicks' general manager.

Johnson and Allan Houston led New York with 18 points apiece. John Starks had 17 and Charles Oakley and Chris Childs had 10 each.

Tim Hardaway scored 33 for Miami, shooting 12-for-21, and Mourning — playing without the face mask he had been wearing since his cheekbone was fractured late in the season — had 29 on 11-for-14 shooting.

SuperSonics 92, Timberwolves 88 At Minneapolis, Gary Payton had 24 points and 8 assists, and the Sonics used a late 19-9 run to take control.

The Wolves pulled to 91-88 when Kevin Garnett scored with seven seconds left, but Greg Anthony hit the second of two free throws to clinch it.



Alonzo Mourning of the Heat defending against the Knicks' Larry Johnson in the 2d quarter, before fists flew in Madison Square Garden.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 90, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Despite having three rookies in the

starting lineup, the Cavs cut a 13-point, first-half deficit to 75-73 with 2:15 left. But Reggie Miller grabbed two crucial rebounds in the final half-minute to send the Pacers into the second round against either New York or Miami.

Miller led the Pacers with 19 points and Rik Smits had 17.

Lakers 110, Trail Blazers 99 At Portland, the series ended exactly as it did last year, with the Lakers ousting the Blazers in four games. Los Angeles advances to the conference semifinals against the winner of the Seattle-Minnesota series.

Shaquille O'Neal had 31 points and 15 rebounds, but it was his supporting cast that made the difference.

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

U.S. Runners Simply Too Bad to Go the Distance

INTERNATIONAL HERALD TRIBUNE

BOSTON — Charges of racism are being bandied about and there is some truth to them. The larger truth — there's no sense trying to hide it any longer — is that American distance running is suffering from impotence.

American men and women runners simply cannot keep up with the Africans, the Kenyan men especially. This is why many American race directors

are now controversially offering prize money to American runners to the exclusion of foreigners. The premise is that Americans won't pay attention to races dominated by teams of African runners. We want to cheer for ourselves.

A similar thing happened years ago to the Little League World Series, the international children's baseball tournament that was being dominated by

In America / IAN THOMSEN

Chinese Taipei. In 1975, the organizers asked the age of the players and banished all international teams. It was still called the World Series, of course. After looking ridiculous for a year, the organizers rescinded their order.

Instead of wishing that we were better at our own game, the organizers discovered ways of making the competition more appealing to fans. So strong is the event today that it almost doesn't matter that American teams have won only 3 of the last 14 championships.

Then there is the example of the National Basketball Association, mired a couple of decades ago because — according to the logic of the time — mainstream America would never accept a league dominated by black players. It's hard to make sense of such an argument now that Michael Jordan has become this generation's Joe DiMaggio.

The current outrage over America's treatment of the Kenyans may turn out to be the best thing that could have happened to American distance running. We stunk at it now, and, crucially, the public is realizing the odor.

The cycle has hit rock bottom. Either the sport is going to die out in America — which doesn't seem likely, given the millions of Americans who run before and after work — or else, as if by nature, it is going to renew itself.

In the 1970s, America was a power in the distances, behind the Olympic marathon champion Frank Shorter and his friendly rivals Bill Rodgers, Steve Prefontaine and Alberto Salazar, who in the early 1980s was the last great American champion. At about that time, the NBA and the shoe companies were learning rapidly to market athletes as if they were TV or movie stars.

It is no coincidence that in the last decade American distance runners have vanished from the Olympics, even while American sprinting has grown stronger than ever. The explosive sports are better suited to American tastes at the moment. By comparison, the 10,000-meter race doesn't televise well.

Salazar, who works for Nike, recently pointed out that his two teenage sons play soccer and baseball. "Even though

they attended several Olympics with me and saw world-class track competitions, they were attracted to other sports because those sports are simply better at marketing themselves," Salazar wrote in a piece for The New York Times.

Scores of Kenyans train in America, but Bob Kennedy — currently our best distance runner — is one of the only top Americans who trains with them.

"We invite Americans to train with the Kenyans, but nobody seems to want to do it," says Lisa Buxner, who manages Kenyan runners from her base in Pennsylvania. She wonders if Americans are willing to make the necessary sacrifices in a sport that doesn't pay the rewards of basketball or football.

Look at it from the broadest perspective. The National Hockey League, the NBA and Major League Baseball are recruiting players internationally. Those mammoth leagues have no fear of foreign athletes. Major League Soccer, on the other hand, places a limit on foreign players because it is a weak league; if its borders were opened, the American players would be overrun and the American public would probably lose interest.

This is not just an American trend. Only recently have the European leagues in all sports been ordered to open their borders to players from the European Community.

In its ruling, the European court paid no attention to arguments that smaller countries would not be able to retain their best players and that the leagues in those countries would suffer.

No doubt the great Kenyan runners are victims of racism at some American races. But that ignorance is going to vanish when a few Americans begin to challenge for gold medals. That is going to happen in the coming decade. Take it as a matter of faith in market cycles.

As soon as there are a few good Americans running at the front, every race director in the country is going to want to surround them with the best available Kenyans. That's the stuff of rivalries — and wonderful television.

Ian Thomsen is a senior writer at Sports Illustrated magazine.

Easley's Bat Lifts Tigers Over Texas

Devil Rays' Loss Streak Snapped at 6 as Arrojito Allows Twins Just 3 Hits

THE ASSOCIATED PRESS

Brian Moehler pitched a six-hitter and Damian Easley drove in four runs as the Detroit Tigers beat Texas, 7-2, stopping the Rangers' five-game winning streak.

Moehler (2-2) struck out six and walked two in his third career complete game in 39 starts. It was Detroit's first complete game since Scott Sanders

pitched a one-hitter against Texas last Sept. 9.

Bobby Witt (3-1) failed to last five innings for the first time this season, allowing seven runs and 11 hits in four-plus innings. Will Clark homered for visiting Texas in the game Thursday night.

Devil Rays 2, Twins 0 In Minneapolis, Rolando Arrojito pitched a three-hitter for his first complete game, and the Devil Rays stopped a six-game losing streak.

Arrojito (3-2) struck out five and walked two in his sixth career start. Todd Walker got all three hits — singles in the fourth and ninth innings and a double off the left-field wall in the sixth.

Orioles 4, White Sox 1 In Chicago, Joe Carter and Jeffrey Hammonds homered to support Jimmy Key (4-1), who allowed one run and four hits in seven innings to improve to 21-7 against Chicago. Baltimore stopped a four-game losing streak and won for just the fourth time in 15 games.

Royals 7, Blue Jays 4 Hal Morris had two hits and drove in three runs as visiting Kansas City took a 6-0 lead and hung on for a two-game sweep.

Morris went 2-for-5 with a double and single to improve to 14-for-22 (.636) against Toronto this season.

Angels 7, Red Sox 2 In Boston, Ken Hill won his third straight start and Cecil Fielder, Darin Erstad and Dave Hollins homered as Anaheim ended its road trip with a 6-1 record.

The Red Sox, who won 10 of their first 11 home games, have lost two of their last three at Fenway Park.

Athletics 5, Indians 2 Ben Grieve, coming off the first five-hit game of his career, hit a tiebreaking, two-run homer in the eighth inning to lift Oakland over the host Indians.

The A's swept the two-game series and extended their winning streak to five. Cleveland lost for the 10th time in 14 games.

Yankees 9, Mariners 6 In New York, Tino Martinez singled home the winning run in the 10th to give the Yankees a victory. Ken Griffey Jr. homered twice and Alex Rodriguez connected for the Mariners, who have lost four of five. Griffey has 11 homers, tying him with the Cardinals' Mark McGwire and Colorado's Vinny Castilla for the major-league lead.

In the National League: Braves 6, Giants 0 Denny Neagle pitched a five-hitter and Andres Galaraga tied a Braves franchise record with his 10th homer in April, leading Atlanta to a rout of the visiting Giants.

Javy Lopez added a three-run homer for the Braves, who finished with 17 victories in the month — two short of their major-league record set last year and the second-most in team history.

Rockies 4, Mets 3 Darryl Kile pitched a four-hitter and Colorado handed the host Mets their fifth straight loss. Kile (3-3) held New York hitless until Luis Lopez singled with one out in the sixth inning.

Dodgers 14, Pirates 6 In Pittsburgh, Raul Mondesi's two-run, two-out bloop single keyed Los Angeles' four-run eighth, and the Dodgers scored nine times in the final two innings to beat the Pirates. It was their fifth victory in six games.

Eric Karros went 4-for-5 with four RBIs, including a two-run single in the Dodgers' five-run ninth against Javier Martinez.

Padres 4, Marlins 3 In Miami, Pete Smith drove in a run and combined with three relievers on a four-hitter to help San Diego beat Florida. Chris Gomez contributed a two-run single for the Padres, who have the best record in the National League and are 10-4 on the road.

Cubs 8, Cardinals 3 The host Cubs beat the Cardinals in fog-shrouded games that started 2 hours and 12 minutes late because of a rain delay. Kerry Wood struck out Mark McGwire twice and retired him on a fly ball.

But McGwire hit a two-run homer in the eighth, tying him for the major league lead with 11. The shot came off a reliever, Marc Pisciotta.

3 Best in Standings Show Their Class

THE ASSOCIATED PRESS

They had the three best records in the National Hockey League this season, the only teams with more than 100 points. In pivotal playoff games, the Dallas Stars, Detroit Red Wings and New Jersey Devils looked as if they deserved to be there.

That has not been the case throughout the first round of the Stanley Cup playoffs this spring. On Thursday night, though, the Stars and Wings took 3-2 series leads and the Devils stayed alive against Ottawa.

Mike Modano broke out of

his scoring slump with two goals, including the controversial game-winning 8:44 to play, as Dallas outlasted the San Jose Sharks, 3-2.

NHL PLAYOFFS

"It was time to put up or shut up," Modano said. "Things hadn't been going my way. I had to start playing in-your-face hockey and just let the scoring chances happen."

They happened just often enough for the defending champion, Detroit, which beat Phoenix, 3-2.

New Jersey got a stellar performance from its best player, goalie Martin Brodeur, who also set up the first goal with a long pass off the sideboards to Brian Rolston for a short-handed goal.

In the only other game Thursday, Edmonton won at Colorado, 3-1, to force a sixth game at Edmonton on Saturday. The Avalanche lead the series, 3-2.

St. Louis is the only team that has advanced, sweeping Los Angeles.

Stars 3, Sharks 2 Modano showed why he was awarded a \$43.5 million contract for six years — beginning next season. He scored his second goal of the postseason on a perfect centering pass from Darryl Sydor, wringing the puck behind a sprawling Mike Vernon. Modano had not scored since an empty netter in the first game.

San Jose insisted that Jamie Langenbrunner of the Stars was in the crease. The television replay seemed to back the Sharks' argument, but Langenbrunner might have been held in the crease by a San Jose player.

Red Wings 3, Coyotes 1 Spectacular goals by Vyacheslav Kozlov and Sergei Fedorov keyed Detroit's victory. The Red Wings were

sluggish in the second and third game and early in Game 4, but have looked like champions since.

Tomas Holmstrom also scored for the Red Wings, who are bidding to become the first team to repeat as Stanley Cup champions since 1992.

Devils 3, Senators 1 Brodeur got the Devils going with his long pass to a breaking Rolston. Lyte Odelein also scored for New Jersey, which must win Saturday night in Ottawa to force a seventh game.

Thirteen teams have rallied from 3-1 deficits in the playoffs, the last Pittsburgh against Washington in 1995.

"I was just trying to clear the zone," Brodeur said. "It looked real good, but I can't take credit for that. There were three guys to the one side, so I just sent it the other way."

Oilers 3, Avalanche 1 For the second time at Denver in the series, the Avalanche blew a third-period lead. The team was up, 2-0, in the opener and fell, 3-2.

Mike Grier scored two goals and Bill Guerin one.

The Oilers also denied goalie Patrick Roy's attempt for his 100th career playoff victory, the most in NHL history.

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SPORTS

'To Reach Sailing's Pinnacle, an Arduous Climb in Whitbread

By Angus Phillips
Washington Post Staff Writer

BALTIMORE — Seven months into the Whitbread "Round-the-World Race, with the worst of the grueling journey behind it and Baltimore within easy reach, the sailboat EF Language hit a wave.

It was a wave like any other that had pelted and tossed the 65-foot (20-meter) sloop from Cape Horn to the Tasman Sea, but this time Marco Constant was in the wrong place.

"He was on the top step of the companionway," his crewmate Josh Belsky said this week, with the boat safely tied up in the Inner Harbor. The wave "launched him," Belsky said. "He did a triple-gainer and came down hard" six feet below the floor of the cabin. The hand that broke the fall bent 90 degrees and stayed there.

"The only thing I could compare it to is when Lawrence Taylor broke Joe Toppo's leg in football," Belsky said. "You didn't want to look."

While Constant was still in shock, his crewmate Klabbie Nylof "grabbed his hand, yanked it and put it back where it was, sort of supposed to be."

Belsky said. "Then we wrapped it in tape that hardens into a cast and put him to bed."

Constant lay bouncing and lurching on his pipe berth all night as the boat flew off 10-foot waves and smashed into troughs below with a shuddering noise "like glass breaking in a car accident," said Mark Rudiger of California, EF's navigator. "We had morphine," said skipper Paul Cayard, also from California. "But he wouldn't take it."

That's what it takes to be a Whitbread crew member: the people on board the boats are as tough as the fleet of nine low-slung, wet, cold, uncomfortable, lightning-quick, stripped-out race boats that sped in the last few months through the globe's most perilous waters — the Southern Ocean that rings Antarctica.

This is the body of water about which the late single-handed American sailor Mike Planté once said: "Everything is 30. The wind blows 30, the air temperature is 30, the water temperature is in the 30s and the waves are 30 feet high." With the Whitbread boats, he could add another 30 — the speed in knots at which the boats slither down waves.

This past week, the Whitbread fleet hit Baltimore for the first time after taking an unexpected hammering on the 870-mile (1,400-kilometer) leg from

Fort Lauderdale, Florida. Twenty-five-knot northerly winds built waves on the north-flowing Gulf Stream into aquatic cinder blocks. "You couldn't sleep for all the stuff flying around," Rudiger said.

It is nothing new to Whitbread sailors, whose lives at sea are a weary battle for survival interspersed with rushed stopovers in ports where they refurbish the boats for the next leg. They left England in September and return next month after stops in South Africa, Australia, New Zealand, Brazil, Florida, Baltimore/Annapolis and France.

With 27,500 miles behind them, the nine boats and 108 sailors were preparing to depart from the Chesapeake on Sunday for more misery on the 3,500-mile plunge past North Atlantic icebergs to Europe, leaving landlubbers to ponder who these masochistic, modern-day Magellans are and what makes them tick.

They are the top professional racing sailors in the world, coming to the Whitbread from the Olympics, the America's Cup and the highest levels of world big-boat and dinghy competition. They race boats for a living, and to many the Whitbread is the pinnacle of the sport.

"It's a real, live adventure unfolding before your eyes," said Belsky, another American on the

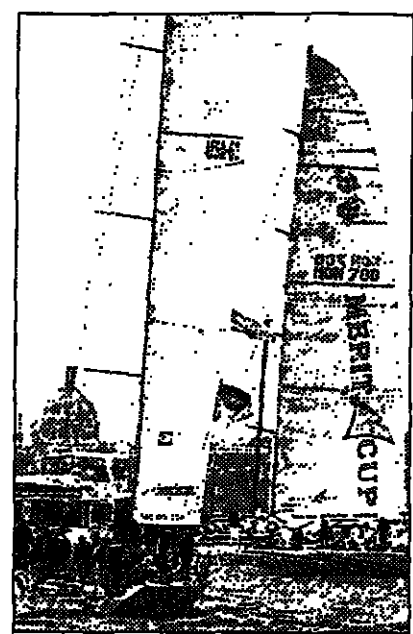
EF, which is leading. "It's an Everest climb, with the added factor that eight other teams are racing you to the top. If you win you get a trophy, and that's all you should get. All I want is to say I did the hardest yacht race there is — and won."

Today's Whitbread is a full professional event. Crew members are paid from \$50,000 to \$150,000, and skippers get more from corporate sponsors such as EF, a Swedish language-education company, seeking to spread their names on a global stage.

It wasn't always so. The first Whitbread in 1973-74 was a quirky event for amateurs seeking to test themselves against the fabled Southern Ocean. Three died that year in wild conditions. Some boats left England with bilges packed with wine and rum.

"The first Whitbread I did," said a New Zealander, Mike Quiller, 44, now in his fourth, "was all fun and no work. Now it's all work and no fun."

But in the quarter-century since the inaugural race, only one more sailor has perished as the Whitbread has grown to a serious, sponsored event with corporations backing entries at about \$10 million apiece and top-shelf sailors such as Cayard, a four-time America's Cup veteran and former Star-class world champion, leading the way.



Two Whitbread yachts, Chessey Racing and Merit Cup, sailing into Annapolis Harbor in Maryland.

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a protest, weapons as child-sights and lay proms, and to prices. handgans said Tina founder, San Fran-

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SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE

EAST DIVISION

Team	W	L	Pct.	GB
New York	17	4	.799	0
Boston	16	5	.762	1
Baltimore	14	13	.519	3
Tampa Bay	12	14	.462	6
Toronto	10	16	.385	8

CENTRAL DIVISION

Team	W	L	Pct.	GB
Cleveland	14	12	.538	0
Kansas City	12	15	.444	2
Minnesota	11	16	.407	3
Chicago	10	15	.400	4
Detroit	6	18	.250	7

WEST DIVISION

Team	W	L	Pct.	GB
Seattle	15	11	.577	0
Anaheim	12	14	.462	3
Oakland	12	14	.462	3
San Diego	12	14	.462	3

NATIONAL LEAGUE

EAST DIVISION

Team	W	L	Pct.	GB
Atlanta	18	9	.667	0
New York	13	12	.520	4
Philadelphia	12	13	.480	5
Florida	9	13	.409	8
Montreal	7	18	.280	10

CENTRAL DIVISION

Team	W	L	Pct.	GB
St. Louis	17	10	.630	0
St. Louis	16	11	.593	1
Chicago	14	14	.500	3
Cincinnati	12	14	.462	4
Pittsburgh	11	16	.407	6

WEST DIVISION

Team	W	L	Pct.	GB
San Diego	14	12	.538	0
Los Angeles	14	13	.519	1
San Francisco	14	13	.519	1
Colorado	12	16	.429	3
Arizona	7	20	.260	12

WEDNESDAY LINESCORES

AMERICAN LEAGUE

Angelenos	001	200	001-4	9 1	L.Brown, Fie
Boston	007	021	40-8	75 1	L-Guzman, T

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John Irving Builds From Fact to Reach Truth

Irving is the author of nine novels, most of them best-sellers.

Central to Irving's art is his feeling about "the passage of time," which is why he writes novels and very few short stories. He thinks in the long form, and is obsessed by the transformations of life. His next book may be about a man who has a meteoric success and searches for a father he has never met. "All I have is the last line," he said. For Irving, that can be the inspiration for a new fictional journey.

PEOPLE

SHARED LIGHT — The director Martin Scorsese receiving the International Campaign for Tibet's annual Light of Truth award from the Dalai Lama

Elle MacPherson has edged out **Cindy Crawford** as the world's wealthiest fashion model. Her net worth is about \$38 million, according to the British magazine *BusinessAge*. Crawford is notch below, with an estimated wealth of \$36 million. In addition to her modeling fees, which can earn her \$34,000 a appearance, MacPherson has also made

Hustler's publisher, Larry Flynt, who has been challenging the authorities by selling racy magazines and videos at his Cincinnati bookstore, surrendered to the police on obscenity charges. He was released on his own recognizance and said he would visit his store to sign books and magazines. A 15-count felony indictment charges Flynt and his brother, Jimmy, with violating Ohio law by selling sexually explicit videotapes — including to a 14-year-old boy. They could face up to 24 years in prison. Twenty-one years ago

Sid Caesar, the five-time Emmy Award-winning comedian who starred in the 1950s TV shows "Your Show of Shows" and "Caesar's Hour," is suing two lawyers he claims reneged on a deal to pay him for a video compilation of sketches from his shows. An arbitration court in December 1995 issued a decision barring two lawyers, Dan MacCabee and Steven Mark Klugman, from distributing the videos. Caesar has filed a lawsuit in Los Angeles Superior Court to enforce the decision.



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